



NEW MEXICO
LEGISLATIVE
FINANCE
COMMITTEE

Program
Evaluation
Unit

Program Evaluation: Status of the Medicaid
Management Information System
Replacement Project

May 9, 2019

Report #19-03

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May 9, 2019

Dr. David Scrase, Secretary
Human Services Department
Office of the Secretary
1474 Rodeo Road
Santa Fe, New Mexico 87505

Dear Secretary Scrase:

On behalf of the Legislative Finance Committee (Committee), I am pleased to transmit the program evaluation *Status of the Medicaid Management Information System Replacement Project*. The objectives of the evaluation were to assess the status of project planning, project management and oversight, and budget allocation and expenditures.

The report will be presented to the Committee on May 9, 2019. An exit conference was held on May 2, 2019, with the Human Services Department to discuss the contents of this report. The Committee would like a plan to address recommendations in this report within 30 days of the release of the report.

I believe this report addresses issues the Committee asked us to review and hope your department will benefit from our efforts. We appreciate the cooperation and assistance we received from your staff.

Sincerely,

A handwritten signature in blue ink that reads "David Abbey".

David Abbey, Director

Cc: Senator John Arthur Smith, Chairman, Legislative Finance Committee
Representative Patricia Lundstrom, Vice-Chair, Legislative Finance Committee
Vincent Martinez, Secretary, Department of Information Technology
Olivia Padilla-Jackson, Secretary, Department of Finance and Administration
John Bingaman, Chief of Staff, Office of the Governor
Brian Colón, State Auditor

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Estimated at \$201 Million, Replacing the State's Medicaid Management Information System is a High Risk Project

The Human Services Department (HSD) provides Medicaid services to nearly 40 percent of New Mexicans, at a cost of nearly \$6 billion annually, processing more than 10 million transactions annually. Federal requirements necessitate the replacement of HSD's current 15+ year-old Medicaid Management Information System (MMIS).

The Center for Medicare and Medicaid Services (CMS) requires states to establish modules for their Medicaid enterprise to include sets of functional business processes implemented through software, services, data, and interoperable interfaces. A modular system will provide the flexibility to update the components of the MMIS without affecting the entire system as federal and state regulations change. CMS provides 90 percent matching funds to states for development and implementation costs.

While CMS has mandated a modular approach for state's MMIS solutions, CMS does not specify which modules must be used, nor does it specify the number of modules required, leaving it to the states to define their approach. New Mexico's modular approach, approved by CMS, includes a multi-module, multi-vendor system as one large IT project, with a \$201 million estimated budget and an anticipated completion date of December 31, 2021. In collaboration with other state health and human services agencies, HSD is creating a more responsive delivery and management system to improve the health and well-being of New Mexicans.

The Medicaid Management Information System Replacement (MMISR) project has not come without challenges, including changes in project management, vendor deliverables and staffing issues, and delays in the procurement process, all of which impact the project schedule and pose risk to the project. Despite federal approval and sufficient funding, risks associated with the overall success of the project remain.

While HSD is following project management best practices, some need improvement. HSD also has key elements for IT project governance including an Executive Steering Committee, and continues to improve with new leadership committed to active engagement in the project.

The evaluation recommends HSD provide the Legislative Finance Committee and other stakeholders a quarterly status report, including what has been accomplished to-date. To address project risks, the evaluation recommends HSD: updates all project plans and communicates to MMISR project team members and stakeholders; and updates the integrated master project schedule to include detail for all project tasks, dependencies and resources. In addition, HSD should ensure the System Integrator vendor hires key personnel appropriately with experience and skill set, and fills vacant positions included in its current resource plan.

Background

The Human Services Department must replace its more than 15 year-old Medicaid Management Information System to meet federal requirements.

The state's Medicaid program Centennial Care, provides services to over 800 thousand, or nearly 40 percent of New Mexicans. The Human Services Department's (HSD) current Medicaid Management Information System (MMIS) processes nearly \$6 billion in more than 10 million transactions annually. Conduent, a contracted fiscal agent, operates the current MMIS, also known as the OMNICAID system. OMNICAID supports Medicaid provider enrollment, client payments and reimbursements, customer service, and tracks health care providers and patients. The Centers for Medicare and Medicaid Services (CMS) provides a 75 percent match for most of the annual IT support costs of \$22 million. The current MMIS vendor contract with Conduent will end December 31, 2019, with no options to extend.

In April 2011, CMS issued new standards and conditions that must be met by the states to be eligible for enhanced match funding for Medicaid technology investments. CMS requires "the use of a modular, flexible approach to systems development, including the use of open interfaces and exposed application programming interfaces; the separation of business rules from core programming; and the availability of business rules in both human and machine-readable formats." The MMIS replacement (MMISR) solution must bring New Mexico into compliance with CMS requirements, which promote modularity, reusability, and use of industry standards for information exchange and interoperability. While CMS has mandated states modularize MMISR solutions, it does not specify which modules must be used, nor does it specify the number of modules required, leaving it to the states to define their approach. In addition, CMS requires each state to align system development with the Medicaid Information Technology Architecture (MITA) 3.0 and increase the state's MITA maturity over time. MITA establishes national guidelines for technology and processes that will improve program administration for the Medicaid enterprise.

CMS provides 90 percent matching funds to states for MMIS development and implementation costs. Federal financial participation (FFP) match is contingent on fulfilling CMS requirements over the course of implementation and ultimately on obtaining CMS certification for a CMS-compliant MMISR. If the state's MMISR does not receive federal certification, federal Medicaid funds provided will result in a FFP reduction in operating costs from 75 percent to 50 percent. Additionally, system enhancement funding for any future changes will decrease from 90 percent to 50 percent. Such a reduction in FFP for operational costs would result in a net increase of state share of nearly \$6 million general fund annually.

CMS defines a MMIS module as "a group of MMIS business processes that can be implemented through a collection of IT functionality."

A module-based system will provide a central resource for Medicaid recipients and providers, centered on people instead of transactions.

The MMISR project will implement the technology foundation for HSD's Health and Human Services (HHS) 2020 initiative.

Modularization of the Medicaid enterprise includes sets of functional business processes implemented through services, software, data, and interoperable interfaces. CMS approved HSD's modular approach including technology-based procurements and business process outsourcing (BPO) services. The CMS approved approach includes the development of six modules. A brief description of the approved six modules is as follows (see Appendix B for detail about functions and processes of each module).

- System Integrator – All base hardware and software to provide core infrastructure used for integration, transfer and storage of data from all MMISR contractors and modules, including technologies required for system security.
- Data Services – An enterprise data warehouse, analytics capability, and business intelligence tools, and reporting.
- Quality Assurance – Processes and tools to provide program integrity support including third-party liability, audit coordination, fraud and abuse detection, and quality data for reporting.
- Benefit Management Services – Processes, tools, and skills to deliver components necessary for managing, monitoring, and providing benefits.
- Financial Services – The fiscal agent to adjudicate and process claims, perform accounting services and SHARE interface, and provide billing assistance.
- Unified Public Interface – Supports citizen interaction with a consolidated customer service center and new web portal and mobile technology access.

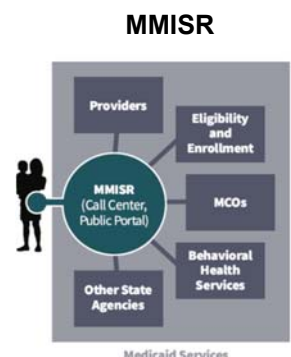
The HHS 2020 framework emphasizes reuse of existing state investments in software applications and technology infrastructure as much as possible without adversely affecting long-term performance, flexibility, or sustainability. For example, in December 2017, at a cost of \$12.8 million, Deloitte Consulting (Deloitte) modified HSD's Automated System Program and Eligibility Network (ASPEN), moving the Medicaid managed care plan enrollment functionality from the legacy MMIS to ASPEN. HSD and Deloitte will implement real-time eligibility in ASPEN by October 2019.

Organizational Change Management is a vital component of any large IT modernization project. Successful Organizational Change Management (OCM) requires a complete cultural change that goes beyond end users, to encompass all stakeholders, from IT delivery teams and HHS business units to the end user community and stakeholders. To reduce project failure and to mitigate risks, OCM best practices include:

- Having a clear understanding of roles and responsibilities;
- The necessity of leadership, change champions and change agents;
- Including change management strategies in project plans;
- Management of all stakeholders, including project team members;
- Understanding the organizational culture, drivers and strategies; and
- Appropriate and timely communications throughout the project's life cycles.

MMISR will change the Medicaid enterprise focusing on transformation to realign health and human services in support of individuals and families instead of transactions.

The MMISR project will result in a more customer-centered enterprise system.



Source: HSD

CMS guidance directs states to move from a program-centric approach to a person-centric approach.

HSD recognized the need for OCM given substantial changes with the modular approach, and the impact to internal and external stakeholders. In August 2018, HSD awarded a \$5.5 million professional services contract to McKinsey & Company (McKinsey) for OCM services under an agency price agreement through the federal GSA schedule. McKinsey, recognized internationally, is known for assisting the private and public sector with OCM. As of this writing, a documented OCM plan for MMISR is in process.

While CMS mandates a modular approach, states have the flexibility to determine their approach. New Mexico's approach is unlike other states when it comes to planning for and implementing its multi-module, multi-vendor system as one project. Very few states have fully developed their modular approach, some states have fewer modules, while others have more, but of narrower scope. Other states' modular approaches and implementation vary depending on each state's priorities. A brief description of a few other state's progress is as follows.

- Vermont adopted its modular approach in 2015 and has implemented two modules: Pharmacy Benefits Management, certified by CMS in March 2018; and Care Management, implemented in 2018 and accepted by CMS with the certification letter pending. Vermont's Provider Management module is currently in development and implementation, anticipating implementation in May 2019. Vermont has yet to define other modules.
- Virginia initiated its staggered implementation approach in 2016 with each module defined as a project. It has completed two projects; Encounter Processing in September 2017 followed with the Pharmacy Benefits Management in October 2017. Virginia has six other modules (projects) underway. Virginia reported its staggered approach minimizes risks with smaller implementation efforts.
- Kentucky's plan for its Medicaid enterprise solution is comprised of 13 modules. Kentucky is currently in the procurement stage, and has issued two request for proposals for a Project Management Office and a System Integrator.

The MMISR project will enable HSD and its sister agencies to transform the Medicaid enterprise by leveraging data and new services to improve the delivery of Medicaid benefits and other programs to individuals and families.

New Mexico participates in monthly MMIS cohort meetings lead by CMS. The multistate Medicaid cohort allows states to collaborate and share knowledge, and CMS helps disseminate information about reuse, modularity, and interoperability. Other key topics such as CMS certification requirements are included in the meetings. CMS expects states receiving FFP to make available to other states for leverage, and reuse all their project artifacts, documents, system components, and code.

HSD's Health and Human Services (HHS) 2020 vision is intended to support multiple programs in New Mexico's health and human services business. Fundamentally, this involves moving away from the program and technology silos into an integrated, flexible framework that supports services and interactions for clients and stakeholders across HHS programs and organizations. The MMISR project will help in this transformation, in part, by implementing a Medicaid enterprise system, including flexible business-focused modules instead of one large MMIS.

HSD is collaborating with other state agencies to implement a Medicaid enterprise system, creating a more responsive HHS delivery and management system to improve the health and well-being of New Mexicans. Other state agencies that are a part of the MMISR project include:

Department of Health (DOH) - DOH manages health-related programs and services across the State. Many DOH programs connect with Medicaid and other HSD programs and clients. For example, DOH's Developmental Disabilities Support Division (DDSD) program contracts with HSD to support DDSD's Medicaid-eligible clients. Various DOH programs interact with HSD programs in a bi-directional manner, exchanging client and health information as well as allowing New Mexico health care providers to bill and receive payment for services. To date, ten DOH programs and possibly 62 systems or interfaces have been identified for engagement with the MMISR project.

The HHS2020 initiative will include new software, changes to websites, call centers and field offices, providing a single access point to HHS public assistance programs and benefits.

Aging and Long-Term Services Department (ALTSD) – ALTSD's Aging and Disability Resource Center (ADRC) program assists elders, persons with disabilities, and caregivers find services and resources to help them live well and independently. The ADRC provides information and assistance, long-term options counseling, benefits counseling, and an array of other valuable services. The ADRC is also an integral part of the State's Centennial Care Medicaid Waiver for the Home and Community-Based Services program. ADRC assists HSD's Medical Assistance Division (MAD) in managing the registry of individuals applying for Centennial Care. ALTSD is planning to replace its current information system that supports the programs identified above. HSD and ALTSD have worked together to secure federal funding to support ALTSD's system replacement project. ALTSD's plans for its new system to interface with HSD's new MMISR system resulting in better service to clients served by both agencies.

Children, Youth and Families Department (CYFD) - Most children served by CYFD are Medicaid-eligible and a large percentage of CYFD clients use HSD-managed services. HSD and CYFD are currently working together to identify opportunities for CYFD to leverage the MMISR project to serve CYFD's clients.

Budget, funding and expenditures.

In FY14, HSD initiated the Medicaid Management Information System Replacement (MMISR) project, a multi-year effort to replace the State's existing MMIS. In January 2014, the federal Centers for Medicare and Medicaid Services (CMS) approved HSD's initial Implementation Advance Planning Document (IAPD) requesting federal financial participation for MMISR project which included an approved budget of \$175.8 million, and an estimated completion date of December 31, 2019.

The MMISR project is in the planning phase.

CMS requires HSD submit IAPD updates for approval, at least annually and as needed, to provide status and any changes to project budget and schedule. CMS approved the June 2018 IAPD update that provided a new project timeline with the estimated completion by December 2021, and an updated budget of over \$200 million, including \$7 million for DOH and ALTSD participation in the project.

**Table 1. MMISR Project
Summary of Estimated Budget as of 3/31/19
(in thousands)**

	HSD	Partner Agencies	Total
State Staff	\$18,458.2	\$841.9	\$19,300.1
Contractual Services	\$157,385.4	\$6,225.4	\$163,610.8
Hardware	\$2,860.1	\$130.0	\$2,990.1
Software	\$11,188.4		\$11,188.4
Training	\$4,331.4		\$4,331.4
Travel	\$18.8		\$18.8
Other	\$46.6		\$46.6
Total	\$194,288.9	\$7,197.3	\$201,486.2

Source: HSD

Since FY15, the Legislature has appropriated HSD \$166.4 million, including 90 percent federal financial participation (FFP). HSD will request additional funding from CMS before the end of the federal fiscal year in September.

**Table 2. Human Services Department
Summary of MMISR Project Appropriations
(in thousands)**

Fiscal Year	Appropriation	General Fund	Federal Funds	Total
2014	Laws 2014, Ch. 63, Section 4	\$200.0	\$1,800.0	\$2,000.0
2016	Laws 2015, Ch. 101, Sec. 7 (20)	\$620.0	\$5,580.0	\$6,200.0
2017	Laws 2016, Ch. 11, Sec. 7 (15)	\$2,800.0	\$25,200.0	\$28,000.0
2018	Laws 2017, Ch. 135, Sec. 7 (9)	\$5,000.0	\$45,000.0	\$50,000.0
2019	Laws 2018, Ch. 73, Sec. 7 (21)	\$6,801.9	\$60,855.1	\$67,657.0
2020	Laws 2019, Ch. 271, Sect. 7 (22)	\$1,255.6	\$11,300.5	\$12,556.1
Total		\$16,677.5	\$149,735.6	\$166,413.1

Source: General Appropriation Acts and Project Certification Committee Documents

As of April 30, 2019, project expenditures of \$51.6 million represent 39 percent of the available \$166.4 million funding and 26 percent of the approved \$201 million budget. The contractual services category accounts for 80 percent of the amount spent to-date.

**Table 3. MMISR Project Expenditures by Category
FY15 - FY19
(in thousands)**

	2015	2016	2017	2018	2019	Total
Personal Services and Employee Benefits	\$274.0	\$290.4	\$835.5	\$1,899.7	\$1,637.1	\$4,936.7
Contractual Services	\$1,410.7	\$2,394.5	\$11,921.0	\$10,906.5	\$14,831.7	\$41,464.4
Other Costs	\$8.7	\$0.0	\$103.9	\$1,432.6	\$3,706.9	\$5,252.1
Total	\$1,693.4	\$2,684.9	\$12,860.4	\$14,238.8	\$20,175.7	\$51,653.2

Source: SHARE and HSD

Chronology HSD's Medicaid Management Information System Replacement Project

2011	Federal Centers for Medicare and Medicaid Services (CMS) issues the Seven Standards and Conditions requirement for modular approach for Medicaid Management Information Systems.
Jan-14	CMS approves HSD's initial Implementation Advanced Planning Document (IAPD) outlining the State's modularity approach and multiple procurement strategy, including the \$176 million budget, and schedule.
Oct-14	HSD awards a \$22 million five-year contract through a competitive procurement to First Data Government Solutions, LP (First Data) for a Project Management Office (PMO).
Jun-15	CMS approves HSD's IAPD Update (IAPDU) providing CMS an activity update and revised expense summary; budget remained the same.
Oct-15	HSD issues request for proposals (RFP) for Independent Verification and Validation (IV&V) services.
April - May 2016	HSD terminates the First Data PMO contract "for convenience" effective April 28, 2016; CMS approves IAPDU project changes including the termination of the PMO contract and a revised project management plan.
Aug-16	HSD awards the IV&V contract to CSG Government Solutions Inc. (CSG) for \$6.1 million, and a three-year term with three one-year options to extend.
Aug. - Oct. 2016	August - Issues RFP for a System Integrator (SI); October - Cancelled the SI RFP based on guidance from CMS.
Sep-16	CMS approves IAPDU that realigns the MMISR budget with an updated procurement schedule.
Feb-17	Under CMS guidance HSD issues a new RFP for SI vendor.
May-17	CMS approves HSD's updated Medicaid Information Technology Architecture (MITA) State Self-Assessment; HHS2020 vision presented to Executive Steering Committee.
Apr-17	HSD issues RFP for the Data Services (DS) module.
June - Nov. 2017	CMS approves IAPDU that realign the MMISR budget with an updated procurement schedule.
Mar-18	HSD awards a \$44.8 million four-year contract, including four one-year options to extend, to Turning Point Global Solutions as the SI vendor; HSD issues RFP for Quality Assurance (QA) module.
Jun-18	CMS approves IAPDU with a new project timeline and estimated completion in 2021, and an updated budget of \$201 million to include partner agencies.
Aug-18	HSD awards a \$5.5 million three-year contract to McKinsey & Company for Organizational Change Management.
Oct-18	HSD awards a \$17.5 million four-year contract to IBM Corporation for Data Services.
Jan-19	HSD leadership change prompts a more active role in the project. For example, the Deputy Secretary is engaged in daily project activities.
Feb-19	Negotiations for QA contract continue, anticipated contract award July 2019.
Mar-19	HSD initiates a contract under statewide price agreement for a new Project Management vendor, approved by DoIT, and currently in the signature process.
Apr-19	HSD Kick-off of Business Transformation Council.
Jun-19	HSD will submit a new IAPDU to CMS for approval.

Source: HSD Files

Despite Federal Approval and Sufficient Funding, the MMISR Project Remains a High Risk

The most recent project assessment for the \$201 million MMISR project identifies significant issues limiting the success of the project in many areas.

Independent verification and validation (IV&V) is considered to be a best practice within the technology industry to identify high-risk areas early in the project, and helps an organization mitigate risks and prepare for contingencies. IV&V monitors and assesses every aspect of an IT project from inception to completion. Based on best practices, it is always better to monitor project health and identify serious issues during a project rather than after the project is delivered.

IV&V is key in the MMISR project governance structure, providing weekly and monthly assessment reports to HSD leadership, and stakeholders on the status and health of the project. Beginning in FY17, HSD's IV&V vendor, CSG Government Solutions, Inc. (CSG), issued several reports, providing an independent perspective of project activities, plans, and processes. The reports identify risks and make recommendations on how to address, plan for, and manage those risks. The CSG IV&V team are on-site actively participating in project team meetings, reviewing project documents, and conducting interviews with MMISR project team members and stakeholders.

CSG's IV&V reports provide status on key project indicators based on the national Project Management Institute best practices. LFC staff relies on CSG's IV&V reports for analysis used in its quarterly IT status reporting for the MMISR project. The table below summarizes the status of the project.

Table 4. IV&V Project Assessment Dashboard for MMISR

Key Project Indicators	6/23/2017	6/22/2018	4/5/2019
Overall Project Health	Yellow	Red	Red
System Integration & Infrastructure	Green	Green	Red
Communication	Red	Red	Red
Organizational Readiness	Yellow	Red	Red
Governance	Yellow	Yellow	Yellow
Schedule	Red	Red	Red
Project Management	Yellow	Red	Red
Resource Management	Yellow	Yellow	Yellow
Quality	Yellow	Red	Yellow
Rating Legend			
Red - Significant issues that limit the success of the project.			
Yellow - One or more areas of concern.			
Green - On-track, only minor issues.			

Source: CSG IV&V Reports

Monthly project assessments have repeatedly reported the overall project health rating as “red”, indicating significant issues limiting the success of the project. Within a two year span, some MMISR key project indicators have deteriorated. Current IV&V report rates overall project health as “red,” but notes it is trending positive due to active and focused leadership, including the newly appointed secretary, deputy secretary and new medical assistance division director. In addition, the MMISR team has closed multiple IV&V observations, making progress in management of project risks.

The schedule and communication categories are repeatedly “red” for various reasons, including the inability of the SI to provide an integrated end-to-end integrated master schedule (IMS) and the lack of an enterprise wide communication plan. Without a functioning IMS, the project cannot report progress, assess resource needs, communicate schedule and changes among stakeholders, or determine the impact of project delays to the project end date. Currently, communication inside the SI vendor is fragmented and without an enterprise wide communication plan, communication between the SI vendor and other module vendors is sometimes nonexistent. Additionally, the report stated undefined roles and responsibilities creates the inability for stakeholders to understand the scope of their responsibilities.

A 2012 McKinsey study revealed 17 percent of IT projects budgeted at \$15 million or higher are implemented poorly, and more than 40 percent of them fail.

The complexity of the MMISR project presents potential risks and challenges to project management.

Although CMS approved HSD’s modular approach, the complexity of the large project brings challenges and risks in planning and project management. Industry research suggests large IT projects are at far greater risk of failure than smaller efforts. A 2012 McKinsey study revealed 17 percent of IT projects budgeted at \$15 million or higher are implemented poorly, and more than 40 percent of them fail.

Best practices in project management include the right mix of planning, monitoring, and controlling, and it makes the difference in completing a project on time, on budget, and with quality results. A project management plan (PMP) is a formal document developed in the planning phase, used to manage project execution, control, and project close-out. The primary uses of the PMP are to document planning assumptions and decisions, facilitate communication among stakeholders, and document approved scope, cost, and schedule baselines. A PMP includes other plans for issue escalation, change control, communications, deliverable review and acceptance, staff acquisition, and risk management. These other project plans are key components of project management and carry through from the start to finish of all projects.

Risk management has been identified as one of the most significant best practices for software development. Simply identifying the possible risk factors is not enough. Risk exposure is a combination of the probability a specific risk could materialize into a problem and the negative consequences for the project if it does. To manage each risk, select mitigation actions to reduce either the probability or the impact. In addition, identifying contingency plans if risk control activities are not effective is important. Risk management is a continuous process.

Control processes are used to make sure the project is proceeding as planned and deliverables meet required standards. The processes include holding regular project meetings, documenting key decisions, and formally testing and accepting major deliverables, which must be clearly verifiable and associated

HSD's Project Management Plan (PMP) establishes project management processes and procedures for use throughout the lifecycle of the MMISR project.

with measurable milestones, and establishing a regular reporting process to provide formal reports on project status.

HSD is following project management best practices however, some need improvement and do not reflect current project processes.

Following project management best practices, HSD is holding weekly project team meetings, and ensuring change management processes are appropriately followed. Also, HSD is monitoring the project status consistently, and maintaining appropriate project documentation in a common document repository known as SharePoint. However, the SharePoint site does not always meet staff needs. For example, HSD has not developed a site map with key directories of document locations, making it time consuming and inefficient to locate finalized documents.

HSD has developed some of the plans mentioned above, such as scope management, schedule management, financial management, risk management, and change management. However, the state is not always executing against approved plans. For example, the schedule management plan is outdated; it does not reflect the activities and timelines associated with the System Integrator and the overall impact to the schedule and other vendor activities, such as data services. In addition, although project communication is consistently improving with all-hands meetings, increased project manager meetings, HSD has not updated the outstanding communication plan to reflect current processes.

In 2014, when HSD started MMISR project planning, HSD reported the project might require up to six years to complete due to the complexity of federal requirements and extensive implementation requirements. However, in October 2016, HSD had not yet established an integrated master project schedule defining all project activities and resources. As a result, team members and stakeholders did not have a mechanism to measure project progress and assess the impact of project completion.

Currently there is an integrated master schedule; however, it is not comprehensive or complete. HSD expects the integrated master schedule to evolve as it awards procurements for other modules. The integrated master schedule needs additional details that will allow the project team to determine if completion dates are realistic, better monitor project progress, effectively manage resources and activities, and ensure project objectives are reached in a cost effective and efficient manner.

Changing the project management approach for a large complex IT project, such as MMISR creates significant risk for a successful project.

Prior IV&V reports indicated HSD did not have standards and repeatable project management processes. The inability to apply a consistent project management methodology increases risk that critical tasks, dependencies, and resources may not be identified and anticipated.

HSD's project management strategy in 2014 was to have a shared project management office led by a contracted vendor for two projects as part of the HHS 2020 initiative. In FY15, HSD awarded a \$22 million competitive contract to First Data Government Solutions (First Data) to organize a project management office (PMO) to support two HSD IT projects - MMISR and the Child Support Enforcement System Replacement. However, effective May 1, 2016, IT leadership in place at the time exercised the right to terminate First

Data's contract "for convenience" in accordance with contract terms. At a cost of \$3.7 million, First Data provided some deliverables and HSD leveraged the work products, and established a state-led PMO. The state-led PMO included Medicaid and IT staff, supplemented by staff augmentation contractors.

Instead of issuing another procurement for a PMO and project management services contract, HSD's request for proposals for the System Integrator (SI) included PMO and project management requirements in the contract. Due to issues with the SI vendor performance, HSD removed the PMO deliverables from the vendor's contract in March 2019. Details regarding the SI vendor performance appear in the next chapter.

In the short term, HSD leveraged existing staff augmentation contracts to begin the transition to another PMO in late March. The transition, including the procurement of another PMO vendor is underway. Contracts are in the signature process, are expected to be completed before mid-May (see Appendix C for the current MMIS project management model).

Another risk factor is how the State will ensure continued delivery of Medicaid services, since the current fiscal agent's contract expires in December 2019. As previously stated, HSD cannot extend the current contract with Conduent. Early last year HSD recognized the need to continue with Conduent beyond December 2019. The continuation of Conduent's services are necessary given the cancellation of the first PMO, procurement of the System Integrator, and delays in issuing the remaining business process outsourcing RFP. HSD identified potential options to mitigate the risk, including issuing a sole source contract. HSD leadership held discussions with the General Services Department, Department of Finance and Administration, and Department of Information Technology to explore a sole source contract as the more viable option. More recently, HSD held a meeting with Conduent and Conduent is currently reviewing a draft contract.

In June 2018, CMS approved HSD's request to extend the estimated completion date to December 2021.

HSD established some key elements for IT project governance, including an Executive Steering Committee, and it is continuing to improve.

Clear sponsorship and proper governance are key for any big IT project. The MMISR project requires an active Executive Steering Committee (ESC) to set priorities, and communicate scope and vision to the project team members, and stakeholders. HSD initially established an ESC in November 2016, to serve as a decision making body for priority setting, communicating the direction of the HHS 2020 initiative, and facilitating change within the organization. The goal at the time was to meet monthly, yet these monthly meetings were often canceled, in part due to inconsistent buy-in and lack of agreement regarding the project approach.

New HSD leadership is committed to active engagement in the project.

As such, Deputy Cabinet Secretary Russel Toal, appointed in January 2019, is the executive project lead guiding the direction of the project and holding weekly MMISR leadership meetings. While MMISR implementation is a significant undertaking because of the nature of the project and requirements, current HSD leadership expects the implementation to be successful with the right mitigation strategies including leadership, project monitoring and metrics, business process transformation, and risk management.

The current MMISR Executive Steering Committee include the following cabinet secretaries:

- **David Scrase, MD, HSD**
- **Alice Liu McCoy, ALTSD**
- **Brian Blalock, CYFD**
- **Kathy Kunkel, DOH**
- **Vincent Martinez, DoIT**

In addition, the Department of Information Technology (DoIT) Secretary, along with the cabinet secretaries from the HHS 2020 partner agencies meet on a regular basis to promote and improve communication, ensuring all aspects of the project are understood. The current IT governance structure for the MMISR project incorporates the HHS 2020 vision (see Appendix E for HHS 2020 Governance).

HSD's Business Transformation Council (BTC) will drive and coordinate the implementation of required changes in business processes. Business process redesign, through BTC, will allow HSD to create a blueprint for the future organization, addressing obstacles posed by inefficiencies in the current operating model and resource needs. McKinsey has conducted several facilitated sessions with HSD's Medical Assistance Division (MAD) subject matter experts to catalog business processes to develop a "playbook" to create 'To-Be' business process redesigns. The playbook will provide standards for the business process redesign sessions. Once complete, HSD will use these reengineered business processes to update request for proposals and contracts so vendors can begin work on supporting these 'To-Be' business processes.

The recent independent verification and validation (IV&V) report noted HSD needs to validate the 'As-Is' and create and validate 'To-Be' business processes for the next Medicaid Information Technology Architecture (MITA) State Self-Assessment. HSD plans to submit an updated self-assessment to CMS this fall.

Recommendations

The Human Services Department should

- Provide LFC, DoIT and other stakeholders, a quarterly status report describing what has been accomplished to-date, including the status of the Organizational Change Management plan for MMISR;
- Ensure all project plans are updated and communicated to MMISR project team members and stakeholders; and
- Update the integrated master project schedule to include detail for all project tasks, dependencies, and resources.

Procurement and Staffing Issues Have Delayed the MMISR Project

Delays pose risks to successful completion of the project.

HSD has executed only two of the six needed contracts for MMISR, with the others still in the procurement process. On average, it takes state agencies 12 to 18 months to complete a competitive procurement from request for proposals to contract award. Completion of procurements associated with the multiple modules drive completion of MMISR project milestones. Of the six modules, only two procurements have been completed, the System Integrator and Data Services.

A compressed schedule and constrained resources increase the likelihood of schedule slippage to an already aggressive timeline that requires multiple review cycles at the state and federal level before the contract can be executed. CMS requires review and approval of request for proposals (RFP) and contract awards and HSD plans for 60-day turnaround for each, resulting in a four-month lag.

In addition, DoIT's review process for RFP and contracts has caused delays, affecting the MMISR project schedule. DoIT does not have documented review criteria and requirements for RFP and contracts, leading to ad hoc review requirements. These ad hoc requirements may be one of the contributing factors to pushing the estimated RFP release dates beyond deadline. As a result, the MMISR project team extended the schedule. State agencies are required to submit all IT procurements to DoIT for review and approval. Currently, the MMISR project team has incorporated DoIT's required review processes into the project schedule and management plans.

On average, it takes state agencies 12 to 18 months to complete a competitive procurement from request for proposals to contract award.

HSD's MMISR project contract awards lag behind estimated award dates.

As previously discussed, HSD missed the estimated RFP release dates and contract award dates by several months in many instances. HSD estimated the contract award for the System Integrator module in August 2017, and the contract award was not until March 2018. The delay in part was due to DoIT's review and approval process. The Data Services module contract award estimated for September 2017 was not awarded until over a year later in October 2018. Additionally, HSD missed the estimated RFP release date for the Quality Assurance module by almost a year. While the estimated contract award in November 2018 is outstanding, negotiations are underway with an anticipated contract award by May 2019.

**Table 5. MMISR Project Procurement Schedule
Request for Proposals and Contract Awards**

Module	RFP Release		Contract Award	
	Estimated	Actual	Estimated	Actual
System Integrator	Feb-17	Feb-17	Aug-17	3/16/2018
Data Services	Apr-17	Apr-17	Sep-17	10/23/2018
Quality Assurance	Jun-17	Mar-18	Nov-18	pending
Benefit Management Services	Oct-18			
Financial Services	Dec-18			
Unified Public Interface-Consolidated Customer Service Center	Nov-18		Jul-19	
Unified Portal	TBD		TBD	

Source: HSD Files

Currently, HSD expects to release the RFP for Financial Services in May and Benefit Management Services in June. The new leadership requested the RFP be held for review, and the project team is re-engaging stakeholders to make improvements to ensure maximizing federal fund opportunities for those stakeholders. The Secretaries of ALTSD, CYFD, and DOH are working collaboratively with MMISR project team to make the changes. CMS approved previous versions of the RFPs, and assuming no significant changes, HSD will not have to go through CMS review again.

Other procurement actions, such as contract amendment review and approvals have taken significant time. For example, it took more than nine months to execute a contract amendment for the SI vendor to remove hardware and software items, change some deliverable dates, and reduce the associated contract amount by \$8.9 million.

The system integrator vendor has not met key deliverable dates due to staff turnover and poor performance resulting in project delays.

The system integrator (SI) has experienced turnover almost from the beginning of the project. The SI personnel turnover has affected the deliverable schedule with delays to complete deliverables. Without key personnel to manage deliverables, deliverable quality suffered, and in some cases work was stopped.

As of February 2019, key personnel turnover or changes include three different project executives, four different on-site project managers, two different quality managers, and two different functional business managers. On average, key personnel replacement exceeds the contractually required 30-day permanent replacement policy. The MMSIR project team also reported an issue with the SI vendor being understaffed to meet the needs of deliverables. In addition, IV&V reported the SI vendor needs additional managerial, technical, and Medicaid experts to provide subject matter expertise.

In addition, one of the SI's major responsibilities included enterprise project management office functions. The SI vendor has struggled to satisfactorily fulfill those responsibilities and meet deliverable dates. Since April 2018, the number of deliverables the SI vendor submitted for approval and acceptance by HSD has been limited. Many of the accepted deliverables reflect extensive collaboration and re-work by HSD personnel. For example, 15 of 17 deliverables submitted for payment were resubmitted to HSD at least once and some more than twice. This has caused the scheduled task dates to slip, project contract deliverables to be amended, and HSD resources to be over extended.

Recognizing struggles and delays the project is experiencing, the department secretary along with project leadership decided to remove enterprise project management functions from the SI vendor and transition to a new PMO model. HSD relieved the SI vendor of the responsibilities for enterprise project management effective March 1, 2019. With another contract amendment pending negotiations, HSD will reduce the SI contract value accordingly. HSD expects to have the fully executed amendment completed sometime in May.

The Data Services (DS) deliverables are in process, however, there are concerns over the potential risks associated with the DS schedule due to dependencies the DS vendor has on the SI vendor. Collaboration and knowledge sharing between the two vendors is ongoing.

HSD is supplementing MMISR project resources with staff augmentation contracts totaling \$19.7 million.

State Personnel Office (SPO) procedures and delays impact on HSD's ability to fill key positions needed for the MMISR project. HSD submitted a staffing plan to SPO in September 2018 to backfill 43 positions needed at various stages during the MMISR project. SPO approved the staffing plan in October 2018, to include 36 positions for the Medical Assistance Division (MAD) and seven information technology (IT) positions. Once approved HSD anticipated posting positions in November 2018. However, SPO delayed the authorization for posting the MAD positions until February 2019, and has yet to authorize posting the IT positions.

HSD's only option is to hire contractor staff at a much higher rate than would be paid for comparable skilled state staff. A prior LFC evaluation reported staff augmentation typically costs 52 to 95 percent more per FTE to have IT contractors supporting IT development than in-house IT staff. HSD is relying on the use of statewide price agreements for IT services and staff augmentation for the MMISR project needs. Although SPO reclassified IT positions and restructured IT salaries in FY17, like many state agencies, HSD continues to face ongoing challenges in hiring and retaining qualified IT professionals.

Table 6. MMISR Project Staff Augmentation Contracts

Contract No.	Vendor	Description	Contract Value (in thousands)
PSC 17-630-4000-0001	Berry Dunn	Solution Architect Services	\$710.9
17-630-8000-0010	Berry Dunn	Medicaid Procurement and Business Operations Support	\$1,594.9
PSC 17-630-4000-0003	Cloverleaf	Data Manager Services	\$1,236.2
PSC 17-630-4000-0002	Cognosante	IT Project Manager, Planning, & Analysis Services, Communication Specialist Services	\$1,959.0
19-630-8000-0007	Mercer Health and Benefits, LLC	Medicaid Procurement and Business Operations Support	\$2,687.1
PSC 17-630-4000-0004	Netlogx	Financial Manager Services	\$618.0
16-630-8000-0039	Netlogx	Medicaid Procurement and Business Operations Support	\$2,529.9
PSC 17-630-8000-0011R	RESPEC	IT Project Manager, Planning, & Analysis Services	\$1,865.4
PSC 17-630-4000-0006	Advanced Network Management	Network Services, System Administration Services	\$886.2
PSC 18-630-4000-0001	TEKsystems	System Administration Services	\$539.5
PSC 19-630-4000-0002	TEKsystems	IT Project Manager, Planning, & Analysis Services	\$1,180.6
PSC 19-630-4000-0006	Cognosante	IT Project Manager, Planning, & Analysis Services	\$938.0
Total			\$19,676.8

Source: HSD

Insufficient business subject matter expert involvement during the project could lead to incorrect or missing business functionality and may not meet the current or future needs of the State.

IV&V also reported SPO salary guidelines impact the Medical Assistance Division's (MAD) ability to hire highly skilled MMISR staff. Also, in some cases, and because MAD is identified as a business unit in the job code classifications, MAD is unable to hire technically oriented positions. Currently there are several Medicaid term positions in various stages of the interview process. Having an adequate number of available staff is essential at all stages of the project to meet the requirements and goals of the project.

Competing priorities and project organization structure has limited business subject matter experts needed for project activities such as requirements gathering. However, HSD is actively on-boarding new business staff to ensure the MMISR project team has increased access to the business team for requirements validation, testing, business process redesign and other project efforts.

MMISR relies on multiple vendors, requiring contract management to ensure deadlines and deliverables are met. Although HSD has a contract management plan, IV&V recently reported HSD does not have tools in place to proactively manage and report the performance of MMISR module vendors to ensure contractual compliance. Key elements of proactive vendor management include automated reporting on vendor key performance indicators including deliverable quality and timeliness. Without proactive vendor management planning, tools and processes, measurement and enforcement is manually intensive, and HSD may not be monitoring key performance indicators on a scheduled basis.

Currently, a MMISR project manager from HSD's Information Technology Division (ITD) serves as the contract manager for the two technical contracts (System Integrator and Data Services) and as contract manager for the ITD staff augmentation contracts. HSD has this project manager position dedicated to procurement and contract management for MMISR.

A program manager with HSD's MAD is managing the Business Process Outsourcing RFP contractors (Quality Assurance, Benefit Management Services, and Financial Services). The MAD program manager may also serve as contract manager for the Consolidated Customer Service Center depending on leadership decisions. The MAD program manager also manages MAD's staff augmentation contracts. Like the ITD program manager, the MAD program manager is dedicated to MMISR procurement and contract management. HSD has the activities of these two contract managers synchronized and coordinated to ensure a consistent approach to both procurement and contract management.

In addition to the contract managers, MMISR has a dedicated Financial Manager who coordinates with the HSD leadership on CMS Advanced Planning Documents, project budget, and contractor invoice processing. ITD's administration team also assists with the creation and maintenance of MMISR contracts. Appendix D includes a list of all non-staff augmentation contracts.

Recommendations

The Human Services Department should

- Ensure the System Integrator key personnel are staffed appropriately with experience and skill set;
- Ensure the System Integrator fills vacant positions included in its current resource plan;
- Update the existing contract management plan to include periodic report cards, corrective action plans and mitigation planning; and
- Implement a vendor management tool that includes contractual and performance information including liquidated damages, and reporting, with access from a centralized online location.

The Department of Information Technology should

- Develop and document procurement and contract review criteria, methodologies, and processes, and once completed notify stakeholders, including the Legislative Finance Committee, and publish the requirements on its website.



May 6, 2019

Mr. David Abbey, Director
Legislative Finance Committee
325 Don Gaspar, Suite 101
Santa Fe, NM 87501

Re: Response to Legislative Finance Committee Report
Status of the Human Services Department's Medicaid Management Information
System Replacement Project

Dear Mr. Abbey:

Please accept this letter as the Human Services Department's (HSD) response to the Legislative Finance Committee's (LFC) "Status of the Human Services Department's Medicaid Management Information System Replacement (MMISR) Project" report. HSD finds the report to be a fair and accurate representation of the background, planning, and status of the MMISR project. We are happy to have this opportunity to present this project to the LFC.

The MMISR project is the largest and most complex project in state government. The implementation of a modular MMIS has not been done before and New Mexico is leading the way on successful implementation of a new MMIS. New leadership is committed to ensuring the success of the MMISR project. We have reformed the Executive Steering Committee to include Secretary Alice Liu McCoy of the Aging and Long-Term Services Department, Secretary Brian Blalock of the Children, Youth, and Families Department, Secretary Kathy Kunkel of the Department of Health, Secretary Vincent Martinez of the Department of Information Technology, and me as Chair. The new Executive Steering Committee is honored to have committed, thoughtful, and dedicated leaders working as a team to bring this new modular solution to our respective clients and employees. MMISR will enable the transformation of the state's health and human service enterprise to streamline and deliver targeted, data-driven services to New Mexicans in need.

HSD and the Executive Steering Committee appreciates the support of the Governor's Office, DoIT, the Legislature and LFC on the MMISR project. We are grateful of the Legislature's support of the appropriations needed to continue the project on its upward path.

We ask that the LFC consider HSD's comments to Key Recommendations, as follows:

KEY RECOMMENDATIONS

Despite Federal Approval and Sufficient Funding, the MMISR Project Remains a High Risk

HSD comment: HSD agrees that the MMISR project remains a high risk for several reasons. The primary reason for the high-risk rating is that the implementation of a modular MMIS has

not been done before in the country. With continued support from the Centers for Medicare and Medicaid Services, the Legislature, and the Executive Steering Committee, HSD will be successful in implementing a modular MMIS. Second, the MMISR project has had some challenges in the past with effective governance and project management. HSD has taken steps to address those challenges with the new membership of the Executive Steering Committee, the assignment of Deputy Secretary Russ Toal as an Executive Project Lead, and the implementation of a new enterprise project management office with a firm that has a solid and proven background in Medicaid IT systems and project management.

Staffing and Procurement Issues Have Delayed the MMISR Project

HSD comment: HSD agrees that staffing and procurement issues have delayed the MMISR project in the past. The department has been successful with removing roadblocks by developing collaborative partnerships with the Department of Information Technology, the General Services Department, and the Department of Finance and Administration.

Also mentioned in this section in the report are recommendations for the department's System Integrator related to staffing and resources. Under the leadership of Secretary Scrase, HSD has exercised increased oversight of the system integrator vendor. Information related to staffing of the system integrator is monitored regularly by the Secretary and the rest of the leadership team.

Thank you for the opportunity to comment on this evaluation of the MMISR project. We appreciate and commend the diligent work of your staff to understand the complexity of this project and evaluate our work. We are committed to continued collaboration with the LFC.

Sincerely,



David R. Scrase, M.D.
Cabinet Secretary

Appendix A: Evaluation Scope and Methodology

Evaluation Objectives.

Assess the status of

- Project planning,
- Project management and oversight, and
- Budget allocation and funding.

Scope and Methodology.

- Reviewed:
 - Applicable laws and regulations
 - LFC file documents
 - Information obtained from outside sources, including Internet searches
 - Centers for Medicare and Medical Services (CMS) documents
 - Agency information technology (IT) policies and procedures
 - Agency IT Strategic Plans for FY16, FY17, FY18, FY19 and FY20
 - Agency business case's for IT funding requests for the MMISR project
 - Available project management plans and project status reports
 - Available project certification committee (PCC) documents for the MMISR project
 - Available independent verification and validation (IV&V) reports
 - Available procurement documents, including request for proposals and contracts
 - Project budgets, financial data, and related documents
- Interviewed HSD's Chief Information Officer and various MMISR project staff.

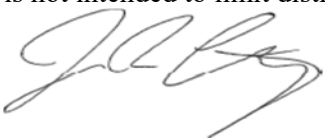
Evaluation Team.

Brenda Fresquez, Program Evaluator

Authority for Evaluation. LFC is authorized under the provisions of Section 2-5-3 NMSA 1978 to examine laws governing the finances and operations of departments, agencies, and institutions of New Mexico and all of its political subdivisions; the effects of laws on the proper functioning of these governmental units; and the policies and costs. LFC is also authorized to make recommendations for change to the Legislature. In furtherance of its statutory responsibility, LFC may conduct inquiries into specific transactions affecting the operating policies and cost of governmental units and their compliance with state laws.

Exit Conferences. The contents of this report were discussed with the Secretary of the Health and Human Services Department and his staff on May 2, 2019.

Report Distribution. This report is intended for the information of the Office of the Governor, Department of Finance and Administration, Office of the State Auditor, and the Legislative Finance Committee. This restriction is not intended to limit distribution of this report, which is a matter of public record.



Jon Courtney, Ph.D.
Deputy Director for Program Evaluation

Appendix B: Medicaid Management Information System Replacement Modules

1. System Integrator (SI)

- Base technologies required to develop and implement an enterprise solution
- Infrastructure for connectivity, interoperability, and security
- Legacy Data Conversion
- Project Integration Management for other modules

2. Data Services (DS)

- Data Tools and Training
- Data Analytics including Geographic Information Systems (GIS)
- Reporting including all Federal Reporting
- Business Intelligence and Survey Tools
- Enterprise Data Warehouse

3. Quality Assurance (QA)

- Program Integrity
- Third-Party Liability (TPL) Detection, Avoidance and Recovery
- Fraud and Abuse Detection and Reporting Services
- Audit and Hearing Coordination
- Quality Reporting
- Recovery Audit Contracting (RAC)

4. Benefit Management Services (BMS)

- Member Management
- Case and Care Management Tool
- Utilization Management and Utilization Review
- Provider Management
- Electronic Visit Verification
- Pharmacy Benefit Management
- Benefit Plan Management

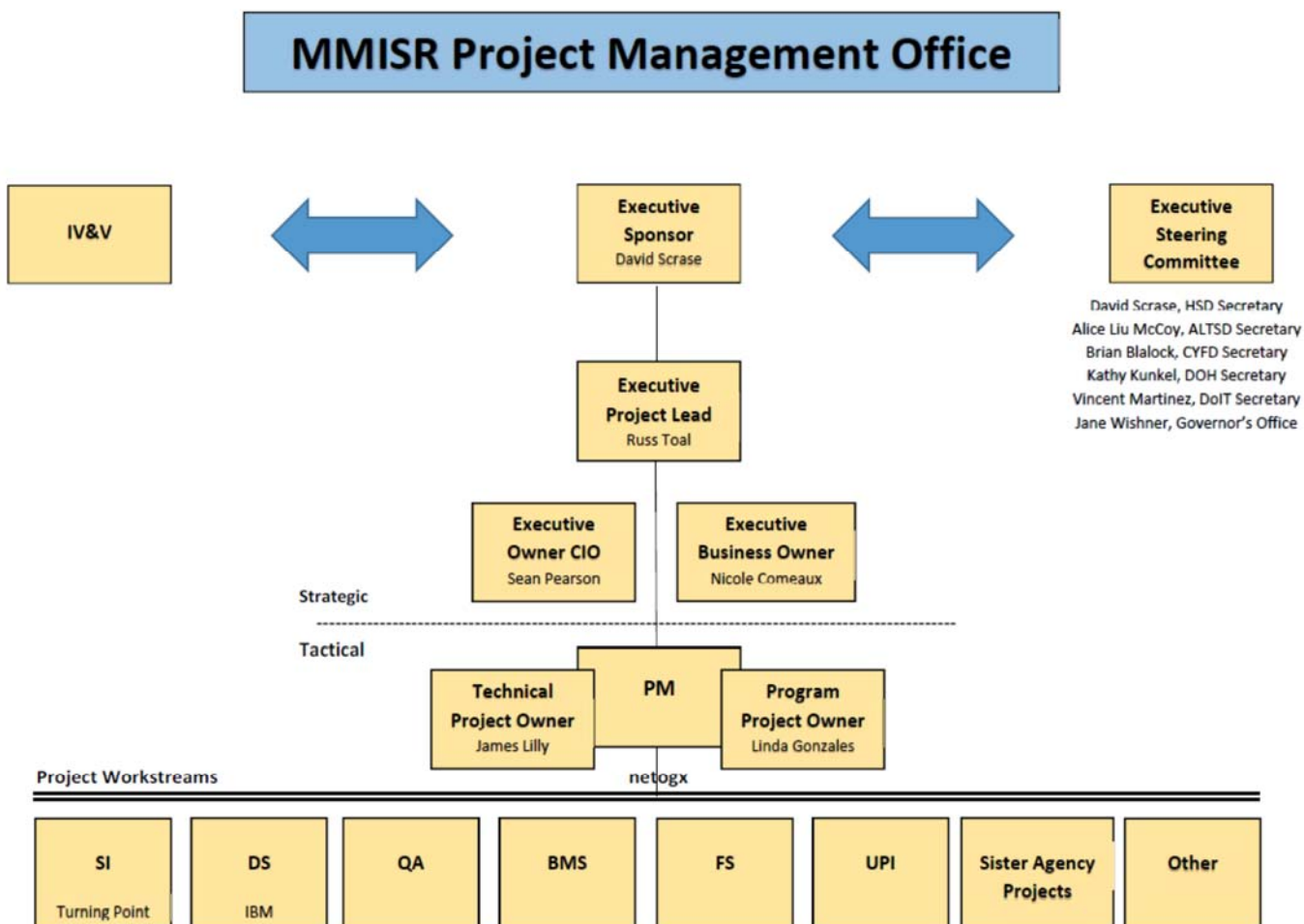
5. Financial Services (FS)

- Accounting and SHARE Interface
- Payments
- Capitation, Claims and Accounting Transaction Request
- Financial Activities
- Accounts Payable and Accounts Receivable
- Financial Reporting
- Budget, Projections and Rate Setting

6. Unified Public Interface (UPI)

- Single Centralized Location for all HHS client interactions (also known as One Stop Shop)
- Access Across Programs
- Mobile Technology Friendly
- Consolidated Customer Service Center (CCSC)*
- Unified Portal*

Appendix C: MMISR Governance and Project Management Structure



Project workstreams have both a vendor and state lead

Source: HSD
As of April 2019

Appendix D: MMISR Detail Contract and RFP Summary

MMISR Project Contracts and Request For Proposals Excluding Staff Augmentation Contracts				
RFP/Contract #	Status (Released, Awarded or In Process)	Vendor	Description	Contract Value (in thousands)
18-630-4000-0005	Awarded	Accenture, LLP	User Experience	\$499.5
18-630-4000-0004	Awarded	TurningPoint Global Solutions	System Integrator	\$44,762.0
19-630-4000-0003	Awarded	IBM (formerly Truven Health)	Data Services	\$17,465.0
RFP 18-630-8000-0003	In Process	TBD	Quality Services	\$9,589.5
16-630-4000-0001 A3	Pending Amendment	Deloitte Consulting LLP	Enrollment and Eligibility	\$12,499.9
17-630-8000-0008	Pending Amendment	CSG Government Solutions, Inc.	Independent Verification & Validation	\$6,135.8
PSC 19-630-8000-0003	Awarded	McKinsey & Company	Business Transformation Services	\$5,500.0
PSC 19-630-4000-0001	Awarded	Accenture, LLP	User Experience	\$483.0
15-630-8000-0022	Awarded	Health Management Associates	Program Analysis Services	\$48.0
15-630-4000-0002*	Terminated	First Data Govt Solutions LP	Project Management Office	\$22,315.3
Total Value:				\$119,297.9

*The First Data Govt Solutions \$22.3 million contract was terminated, with \$3.7 million spent; MMISR project contracts total is \$100.7 million

Source: HSD

HHS 2020 Governance

