

MEMORANDUM

To: Health Connector Board of Directors
From: Jean Yang, Executive Director
Ed DeAngelo, General Counsel
Date: February 5, 2014
Re: Optum-Quality Software Services, Inc. (QSSI), (collectively, "Optum") Engagement

BACKGROUND

A key component of Massachusetts' implementation of the Affordable Care Act, the Commonwealth is in the process of developing and delivering a new information technology (IT) system designed to provide ACA-required core functionality along with high-quality user experience envisioned by the reform. Specifically, the comprehensive IT system, named HIX-IES (Health Insurance Exchange and Integrated Eligibility System), would deliver an integrated, end-to-end experience that includes application intake, eligibility determination, shopping and enrollment, all on a real-time basis through web interface. In addition, this system is intended to serve as the single point of entry for all residents seeking subsidized or unsubsidized insurance coverage through either the state Medicaid program (MassHealth) or the Health Connector, the Commonwealth's state-based marketplace. Building upon the success of MA's health reform of 2006, the HIX-IES system, by introducing substantial automation to coverage access particularly by the subsidized population, represents a key advancement brought by the ACA and a major focus of the entire ACA implementation effort by the Commonwealth.

Development of the new system has to date been managed under a multi-agency collaboration, with the Health Connector, the Executive Office of Health and Human Services (EOHHS) and the University of Massachusetts Medical School (UMMS) in joint governance ("the Commonwealth team"). A primary vendor, CGI, was selected through a competitive procurement conducted in 2011-2012, with a number of sub-contractors involved through CGI. UMMS provides contract acquisition and contract management services for the vendor contract. The project is funded by several sources of federal grants (ACA Early Innovator Grant, Medicaid IAPD and Exchange Establishment Grant) associated with ACA implementation.

The HIX-IES project has faced a series of challenges, which has directly affected the roll-out of ACA open enrollment in Massachusetts since Oct 1st, 2013. To date, the Commonwealth is still not able to rely on HIX-IES to adequately serve its populations. This is reflected in two main categories of deficiencies: 1) certain essential functionality is still not available (e.g., individuals seeking subsidized coverage cannot go through a real-time, end-to-end experience through shopping and enrollment); and 2) performance of the system in production is weak and unreliable, which has caused immense frustration by users and created a substantial barrier to people's ability to apply for coverage.

In the face of this serious and urgent situation, the Commonwealth has taken a number of actions to both mitigate the immediate impact on coverage and move towards remedy for the HIX-IES development. Specifically, the state has stood up and is continuing to substantiate a series of policy and operational mechanisms to protect existing coverage as well as effectuating new enrollment through "workarounds", which has allowed the Commonwealth to not only preserve its coverage gain but also add more to the ranks of the insured as of January 1st, 2014. We also continue to move forward with managing the IT vendor to improve existing functionality for our populations.

In addition, an independent review was pursued to seek advice on opportunities and strategies to fix the IT system, both for the short-term and the long-term. In response to recommendations from that independent review, we conducted an emergency procurement, in accordance with Health Connector procurement guidelines, to procure a vendor able to conduct a deep-dive analysis and provide tactical recommendations for how to imminently proceed with implementation of the HIX-IES project and any workarounds developed by the Commonwealth to support enrollment into new ACA programs in the absence of a fully functioning system. At this critical time, it was necessary to obtain a vendor as quickly as possible to avoid substantial harm to the provision of essential services affecting the health and well-being of the residents of Massachusetts.

SCOPE ORIGINAL AGREEMENT

We thus engaged Optum-Quality Software Services, Inc. (QSSI), (“Optum”) on January 24, 2014 by entering into a brief engagement seeking a current-state assessment of the HIX-IES project and the development of recommendations for addressing findings in the assessment. Specifically, Optum was engaged to assess the following areas (without limitation):

- IT system
 - Reviewing current architecture of the HIX-IES system, and identifying opportunities for improvement;
 - Assessing the effectiveness of processes and procedures for software development, testing, operations and maintenance;
 - Evaluating current environments, infrastructure components, performance, throughput and system uptime;
 - Investigating the system for data persistency.
- Operations
 - Evaluating current operations of the Health Connector and MassHealth to support enrollment, which may include open enrollment periods, ongoing program administration, and operational “workarounds.” The evaluation focused on scalability, control and overall efficiency.
- Project management
 - Assessing the effectiveness of current project management processes, including project structure, roles and responsibilities, project planning and execution, IT governance/software lifecycle process, and related operations; and
 - Providing recommendations for improvements.

The Optum team swiftly performed an on-site review at MassHealth and Health Connector offices, as well as at CGI offices, of the above-mentioned areas before making the following recommendations for the Commonwealth:

1. Add up to 300 operations specialists to reduce backlog and support data entry and manual workaround processes.
2. Obtain additional coverage and programmatic extensions for current protected subsidized members enrolled in MassHealth, Commonwealth Care or the temporary coverage program.
3. Target enhancements to the web portal focused exclusively on improving current user experience and supporting end-to-end eligibility and enrollment for all populations.

4. Add additional oversight and support to current IT vendor.
5. Improve speed, reliability and throughput of web portal by investing in critical areas of technology infrastructure, monitoring and performance support, and basic IT protocols.
6. Restructure program governance to provide cohesive, cross-agency approach that increases leadership involvement and ensures proper project transparency and discipline.
7. Develop a longer-term roadmap and short-list of options for 2015 enrollment, calibrating investments in the web portal in line with longer term needs.
8. Develop and execute coherent communications plan to keep key stakeholders and general public regularly informed and up-to-date on functionality and workarounds.

In light of these recommendations, the Health Connector, with the support of the EOHHS/MassHealth team, would like to engage Optum in subsequent work orders, which will be in excess of \$250,000 and thus require a vote by the Health Connector's Board of Directors.

SCOPE OF WORK ORDER 2

The second work order (Work Order 2), which will cover the period up to April 30, 2014, would engage Optum to provide personnel to support operational efforts and provide expert advice on HIX-IES implementation to the Health Connector, acting in concert with EOHHS/MassHealth and other agencies and administrative officials.

In addition to supporting the Commonwealth's efforts in following through with the above-mentioned recommendations, this next work order will also require that Optum:

- Advise on overall project organization
- Advise on IT applications delivery, infrastructure, defect management and testing services and staffing recommendations
 - For applications delivery, provide advisory recommendations with respect to:
 - Resolving performance, throughput and availability concerns with current application
 - Resolving concerns with data and the database
 - Assessing existing defects and recommending remediation and delivery of enhancements
 - Enabling successful implementation of new functionality
 - Quality assurance processes
 - Development, maintenance, stability and reliability of manual workarounds
 - Identifying and providing automations of currently manual processes
 - For infrastructure and staffing services, provide advisory recommendations with respect to:
 - Performance tuning processes and integrated application performance monitoring
 - The capacity planning process. Advise on the remediation of storage and other storage related infrastructure
 - Operations resources and staffing remediation

- Disaster recovery remediation
 - Security controls
 - Operations center
 - Installation of application system monitoring processes and reporting
 - For defect Management and Testing Services
 - Establish Defect management process
 - Identify all outstanding defects
 - Establish prioritization process
 - Manage defect implementation process
 - Establish Independent Testing Services
 - Create test scenarios
 - Establish functional testing process
 - Establish performance testing process
- Provide data entry services into the HIX system and analysis of outputs for consistency with established rule-sets
- Support manual workaround processes including external rules engine oversight and quality assurance
- Advise on business processes and operational workarounds to increase scale and maximize efficiency
 - Identify and remediate spots in the existing electronic and workaround processes
 - Identify appropriate work around for the production issues and develop any training material as needed
 - Diagnose and perform manual processes required to compensate for IT functionality gaps
 - Analyze and aggregate data to support operations manual processes and monitor enrollment at various stages
 - Provide exchange data reporting and analytics and operational reporting to Commonwealth and Authority decision-makers (trend analysis, other reports)
 - Troubleshoot data integrity items and identify subgroups to prioritize
 - Provide analytic and outreach support to troubleshoot bounce backs from the Issuers and improve Issuer experience and relations
- Advise on member transition, outreach and other population-specific strategies
 - Support specific campaigns (e.g., Commonwealth Care) by identifying approaches, developing workflows and training, fielding support and problem-solving as issues are identified, and analyzing and reporting on results
 - Provide Medicaid subject matter experts to identify, troubleshoot and implement Medicaid policy, program and operations issues to efficiently transition pending and other Medicaid cases

Subsequent work orders will be for defined periods, and will have scopes tailored to meet the current project needs in light of the evolving development progress and remediation needs.

TERMS OF ENGAGEMENT

The overall engagement will continue throughout 2014 as needed to remediate the HIX-IES system, in accordance with the terms described herein. Services will be provided in accordance with agreed-upon rates and charges will be based on actual hours worked, with a cap on overall expenditures.

Work Order 2, commencing this week, will be through April 30, 2014. Subsequent work orders will be for similar, defined time periods.

Charges for the initial 30 days in Work Order 2 shall not exceed \$9.8M. This cap on expenditures provides flexibility for hiring up to 300 additional personnel to support immediate operational needs. Subsequently, charges will be based on actual need for defined time periods; there will be agreed-upon caps for each subsequent time period which reflect the level of effort needed for that time period based on then-current needs.

Funding for this engagement will leverage Exchange Establishment grants awarded. The Health Connector is in the process of analyzing its grant finances to support necessary reprioritization of ACA implementation projects, in consultation with the federal government.

BOARD RECOMMENDATION

We recommend that the Health Connector engage Quality Software Services, Inc. (QSSI), to provide operational and IT advice and services as set forth in this memorandum, commencing February 6, 2014 and continuing throughout 2014 as needed, in accordance with the terms described herein.

We look forward to presenting the above information and providing our formal recommendation at the Board meeting on February 5, 2014.