



Department IT Capital Construction Project: FY 2024-25 CC-IT-02 CBMS Re-Procurement

Summary of Request	Total Funds	CCF-IT	Cash Funds	Reappropriated Funds	Federal Funds
FY 2024-25	\$1,705,158	\$318,028	\$0	\$0	\$1,387,130
FY 2025-26	\$	\$	\$	\$	\$
FY 2026-27	\$	\$	\$	\$	\$

Categories of IT Capital Projects

System Replacement (costs escalating, failing technology, software or vendor support ended, or new technology, e.g., DRIVES, CHATS)	System Enhancement Regulatory Compliance (new functionality, improved process or functionality, new demand from citizens, regulatory compliance, e.g., CBMS)	Tangible Savings Process Improvement (conscious effort to reduce or avoid costs, improve efficiency, e.g., LEAN, back office automation)	Citizen Demand “The Ways Things Are” (transformative nature of technology, meet the citizens where they are, e.g., pay online, mobile access)

Request Summary:

The Department requests \$1,705,158 total funds, including, \$318,028 Capital Construction Fund (CCF) and 0.0 FTE in FY 2024-25 for a Systems Enhancement Regulatory Compliance IT project. The Department requests this funding in order to comply with state procurement regulations and the Center for Medicare and Medicaid Services (CMS) procurement requirements for the Colorado Benefits Management System (CBMS).

The Department is requesting the first phase of a multiphase project for the CBMS re-procurement effort. The request includes contractor funding to start the pre-work for the re-procurement of the CBMS and its modules. The contractor funding includes both business analysts and project managers who will prepare and coordinate departmental resources during the solicitation period. The contractor work consists of creating vendor requirements and aiding in drafting the solicitation for the eligibility system and future modules.

Project Description:

The Department’s request falls under the *System Enhancement Regulatory Compliance* category. The Department is requesting funding to comply with Colorado contract term limits and CMS federal funding requirements. The Department is required every 10 years to procure contracts related to the CBMS both under state procurement rules and CMS regulation. CMS requires that CBMS contracts be procured in a modular format because federal regulations no

longer permit IT eco-systems to be procured as a single vendor solution. This request would provide funding to assist with the re-procurement work and ensure the Department stays on schedule. The contractor resources will operate as subject matter experts (SME) who can draft necessary solicitation documents and procurement requirements. The contractors' work will ensure that the solicitation of the CBMS and its modules is done accurately and stays on schedule within the confines of both the state and federal timelines.

Systems Integration Opportunities

A well-designed modular system is interoperable, allowing the ability for different systems, applications, or products to connect and communicate in a coordinated, non-disruptive manner. This services integration (SI) is increasingly important as CMS guidance trends away from large, single-system implementations in favor of smaller interoperable, interchangeable modular implementations. CMS guidance for IT systems requires that the Department's CBMS data and functionality coordinate between the health exchanges, public health agencies, human services programs and community organizations providing outreach and enrollment assistance. Coordination between SI and the proposed CBMS modules will be managed by the Project Manager with assistance from the Business Analysts during the requirements gathering phase of the solicitation drafting. This is to ensure a seamless transition to the new vendor(s).

Risks and Constraints

Due to CMS regulations and state procurement rules, the Department must finish the procurement process for possible new CBMS vendor(s) before the end of the current contract term date of June 30, 2027. The Department must negotiate and implement new contracts with vendors prior to the current contract's end date to ensure smooth transitions to new modules and avoid potential CMS penalties. Additionally, to receive federal funds on Medicaid and Children's Health Insurance Program (CHIP) programs, the Department must follow CMS procurement guidelines and the existing CMS standards and conditions regulations to receive an enhanced federal match. CMS requires that the Department procure the CBMS through a modular approach. If the Department does not procure CBMS vendors following CMS regulations, then the Department is at risk of losing federal financial participation (FFP) on all Medicaid and Children's Health Insurance (CHIP) programs.

Operating Budget Impact

Currently, CBMS has a maintenance and operations (M&O) budget within multiple departments: Health Care Policy and Financing (HCPF), Colorado Department of Human Services (CDHS), Colorado Department of Public Health and Environment (CDPHE), Department of Early Childhood (DEC) and Regional Transportation District (RTD). At this time the Department is not submitting an additional M&O budget request because the bidding process for the CBMS and modules are not complete. If M&O funding is either higher or lower than current appropriations, the departments would submit an M&O true-up request in a future budget cycle once procurement reaches the vendor negotiation phase.

Background of Problem or Opportunity:

CMS regulation requires that each state follow a modular approach in their development of new or replacement systems and evaluates each state's IT to ensure that the procurement of each IT solution has been effectively evaluated by the state as the most cost-effective long-term solution for meeting business needs.

The CBMS is an integrated eligibility system (IES) that has been meeting Colorado's needs since its implementation 19 years ago. The system is managed by HCPF, CDHS, CDPHE, DEC, RTD and supported by OIT [collectively, the State]. Eligibility for medical (Medicaid), food (Supplemental Nutrition Assistance Program-SNAP), cash (Temporary Assistance for Needy Families-TANF), energy, and childcare assistance is determined by the CBMS integrated system. Currently, the CBMS is a custom IT solution that is hard to update and is missing necessary training documentation. The system is complex and requires county workers to understand and be experienced in each program's rules to ensure that eligibility is determined correctly. In 2013 a client/member portal for self-service access called PEAK (Program Eligibility and Application Kit) was implemented. Recent improvements to CBMS include the Transformation Project, which transitioned the system to Amazon Web Services (AWS) and the Salesforce platform from the State Data Center. The State contends that CBMS will remain in use and serve as the State's eligibility engine and that a new vendor will be responsible for a take-over transition as opposed to building a new CBMS system. The Roadmap strategy considers how certain functions can be modularized to support best of breed approaches and contracting efficiencies documented in the Environmental Scan of other states' IES enterprises.

Justification:

The Department is required by state procurement regulations and CMS guidelines to perform a competitive procurement process for the CBMS. In order to receive enhanced federal funding for development, maintenance, and operations, the CBMS and its modules must meet all applicable standards and conditions, including modularity. The Department is only appropriated enough funds to operate the CBMS and this request would allocate funds to contract staff who would provide day-to-day assistance during the procurement process. The State is currently operating at capacity and is unable to reallocate resources to this effort. Without dedicated vendor funding the Department would be unable to transition in a timely manner, which would put the State out of compliance with CMS and state procurement requirements. Not complying with CMS regulations puts the Department at risk of losing federal financial participation (FFP) as the Department would be at risk of having to pay back CMS for any federal funding received while being out of compliance.

Business Process Analysis

Under the federal modularity rule, CMS requires states to follow a modular approach that supports timely, cost-effective projects. Currently, the CBMS system does not comply with the CMS requirement of modularity. The broadened definition was also refined to support an enterprise approach where individual modules and services are interoperable and work together seamlessly to support a unified Benefits System. CMS has established the expectation that a modular approach provides the most efficient and cost-effective long-term solution for meeting states' business needs. This funding request is not directly addressing an operational problem; rather, the funding is required in order for the Department to remain compliant with state and federal regulations.

Cost-Benefit Analysis and Project Alternatives (per H.B. 15-1266)

In 2022, the Department completed an internal and external environmental scan and an alternatives analysis with current staff and other states to identify potential models and new approaches and strategies for the procurement of the CBMS. The environmental scan included interviews with other states to understand their models within their existing and conceptual eligibility systems. The Department interviewed subject matter experts (SMEs) internally as well

as in other states to understand the challenges, strategies and models that can be addressed utilizing the future CBMS ecosystem. The environmental scan and alternatives analysis will be used to guide the modular procurement approach, which will be sent to CMS for approval. Without this funding, the Department does not have the necessary SMEs or technical knowledge to ensure that the CBMS vendor solicitation is drafted and posted. Without accurate and timely solicitation documentation, the Department would be unable to complete the transition activities within the required timeframes. This would put the Department out of compliance with CMS and state procurement requirements. Per 45 CFR 95.635, if the Department fails to comply with the requirements, payment of FFP to Colorado's Medicaid and CHIP programs can be disallowed.

Success Criteria and Improved Performance Outcomes

All projects that receive enhanced FFP through CMS require outcome-based measures. These measures will be reviewed and approved by CMS prior to the start date of this project. CMS requires the Department to continue to meet the approved outcomes and metrics on an ongoing basis to continue to receive enhanced funding.

Assumptions for Calculations:

- The Department assumes that the contractor staff will work full time for 40 hours a week, 52 weeks a year for a total of 2080 hours.
- The Department assumes it will have all Advanced Planning Documents (APD) submitted and approved by CMS prior to incurring any expenditure, allowing the Department to receive the enhanced weighted federal financial participation (FFP) on all transition costs.
- The Department is required by CMS to cost allocate CBMS activities among the different departmental partners (HCPF, CDHS, CDPHE, DEC and RTD). The cost allocation ensures that all federal partners who are benefiting from the system are sharing in the cost. The total costs of this project have been allocated to both HCPF and CDHS based on the CBMS activities being requested. The Department assumes that transition costs would be covered at a 90% federal match for Medicaid related costs. Based on the allowable federal participation for the other non-Medicaid programs, the weighted FFP is 81.35%.
- The Department included a 5% contingency buffer to the total estimate for FY 2024-25 to account for potential cost overruns as large-scale IT projects have a propensity to come in over budget by the time the project is finished. ¹

Consequences if not Funded

Without the contractor funding, existing Department staff would need to complete the solicitation work. Current Department staff do not have capacity to complete re-procurement work and denial of funding could lead to delayed timelines causing the Department to miss the overall June 30, 2027 deadline. Missing the deadline would put the Department out of compliance with CMS and state procurement requirements. As mentioned above, per 45 CFR 95.635, if the Department fails to comply with CMS requirements, payment of FFP may be disallowed.

¹ <https://www.mckinsey.com/capabilities/mckinsey-digital/our-insights/delivering-large-scale-it-projects-on-time-on-budget-and-on-value>

Implementation Plan:

Change Management

Change Management is a requirement for all Department projects. The Department has a robust internal change management process and requires all vendors to deliver a change management plan, which includes: the approach to change management, a scope control process, process to monitor and measure scope, testing strategy, training plan, and operational readiness plans.

The Department follows CMS MES testing guidance framework, which outlines actions and deliverables states are required to demonstrate or provide as evidence. These include:

- Contract requirements for system testing
- Definition of defect severity
- Defect resolution
- Master test plans
- Test execution; including units, system integration, regression, user acceptance, performance and load testing, parallel and data migration testing
- Incident response handling
- Requirements' traceability
- Deployment plan
- On-going testing after production to validate any system changes

Alignment with OIT Best Practices and Standards

The Department collaborates with the Office of Information Technology (OIT) to ensure that the CBMS and its vendors comply with OIT's best practices and standards.

Procurement

The Department and CDHS, with support from OIT, are engaged in the procurement and collaboratively are responsible for ensuring that its programs and systems meet federal requirements. As a result, OIT staff are members of the procurement team involved with the re-procurement of CBMS and its future modules.

Disaster Recovery and Business Continuity -

All implementations would be compliant with all existing state and federal IT architecture, security and business continuity requirements and guidelines, as well as state cybersecurity policies set forth by the Office of Information Security. Additionally, all OIT project gating would be closely followed to ensure adequate risk assessments are conducted and all necessary actions are taken as a result. The Disaster Recovery Plan is a requirement of gate 4 and the authorization to operate would not be granted without the required documentation and planning.

Accessibility Compliance

The Department, in collaboration with OIT, is in the process of developing an accessibility compliance program for current and future vendors.

ADDITIONAL REQUEST INFORMATION		
Please indicate if three-year roll forward spending authority is required.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is this a continuation of a project appropriated in a prior year?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

If this is a continuation project, what is the State Controller Project Number?	N/A
If this request affects another organization, please provide a comfort letter.	
Please attach a letter from OIT indicating review and approval of this project	

ESTIMATED PROJECT TIMETABLE		
Steps to be completed	Start Date	Completion Date
Core CBMS	9/1/2023*	10/28/2025
PEAK/PEAK PRO Module	9/1/2023*	10/28/2025
Correspondence Module	6/30/2024*	10/28/2025
Workflow Management Module	9/1/2023*	10/28/2025

*Estimated start dates as SOW and Purchase Orders are in review as of the date of this budget request.


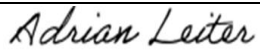
CC-IT: CAPITAL CONSTRUCTION INFORMATION TECHNOLOGY REQUEST FOR FY 2024-25								
Department	HCPF	Signature Department Approval:		 23-Sep-23				
Project Title	Colorado Benefits Management System (CBMS) Re-Procurement	Signature OIT Approval:		Rus Pascual 23-Sep-23				
Project Year(s)	FY 2024-25	Signature OSPB Approval:		 10/30/23				
Department Priority Number	2	Name and e-mail address of preparer:		Lindsey Roe; lindsey.roe@state.co.us				
Five-Year Roadmap?	No							
Revision? Yes x No If yes, last submission date: _____	Total Project Costs	Total Prior Year Appropriations	Total Request	Year 2 Request	Year 3 Request	Year 4 Request	Year 5 Request	
A. Contract Professional Services								
(1)	OIT Contracted Program Manager	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(2)	Quality Assurance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(3)	Independent Verification and Validation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(4)	Training	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(5)	Leased Space (Temporary)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(6)	Feasibility Study	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(7a)	Inflation for Professional Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(7b)	Inflation Percentage Applied	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(8)	Other Services/Costs	\$ 1,623,960	\$ -	\$ 1,623,960	\$ -	\$ -	\$ -	\$ -
(9)	Total Professional Services	\$ 1,623,960	\$ -	\$ 1,623,960	\$ -	\$ -	\$ -	\$ -
B. Software Acquisition								
(1)	Software COTS Purchase	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(2)	Software Built	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(3a)	Inflation on Software	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(3b)	Inflation Percentage Applied	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(4)	Software COTS Purchase Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(5)	Total Software	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C. Equipment								
(1)	Servers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(2)	PCs, Laptops, Terminals, PDAs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(3)	Printers, Scanners, Peripherals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(4)	Network Equipment/Cabling	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(5)	Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(6)	Total Equipment and Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D. Project Contingency								
(1)	5% project contingency	\$ 81,198	\$ -	\$ 81,198	\$ -	\$ -	\$ -	\$ -
E. Total Request								
Total Budget Request [A+B+C+D]		\$ 1,705,158	\$ -	\$ 1,705,158	\$ -	\$ -	\$ -	\$ -
F. Source of Funds								
	GF	\$ 318,028	\$ -	\$ 318,028	\$ -	\$ -	\$ -	\$ -
	CF/RF	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	FF	\$ 1,387,130	\$ -	\$ 1,387,130	\$ -	\$ -	\$ -	\$ -

Table 1.1 Summary by Line Item FY 2024-25									
Row	Line Item	Total Funds	FTE	Capital Construction Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP Rate	Notes/Calculations
A	***NEW LINE ***3) DEPARTMENT OF HEALTH CARE POLICY AND FINANCING; CBMS Re-Procurement	\$1,705,158	0.0	\$318,028	\$0	\$0	\$1,387,130	81.35%	Table 2.1 Row C
B	Total Request	\$1,705,158	0.0	\$318,028	\$0	\$0	\$1,387,130	81.35%	Row A

CC-IT-02 Colorado Benefits Management System (CBMS) Re-Procurement
Appendix A: Assumptions and Calculations

Table 2.1 Summary by Initiative FY 2024-25									
Row	Item	Total Funds	FTE	Capital Construction Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP Rate	Notes/Calculations
A	Contractor Staff for Re-Procurement	\$1,623,960	0.0	\$302,884	\$0	\$0	\$1,321,076	81.35%	Table 3.1 Row C
B	5% Project Contingency	\$81,198	0.0	\$15,144	\$0	\$0	\$66,054	81.35%	5% of Project Total
C	Total Request	\$1,705,158	0.0	\$318,028	\$0	\$0	\$1,387,130	81.35%	Sum of Row A + Row B

CC-IT-02 Colorado Benefits Management System (CBMS) Re-Procurement
Appendix A: Assumptions and Calculations

Row	Position	Resource Needed	Rate	Hours	Total
A	Business Analyst	3	\$180	2,080	\$ 1,124,760
B	Senior Project Manager	1	\$240	2,080	\$ 499,200
C	Total	4			\$ 1,623,960