State of California

TOBY DOUGLAS
Director

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July 29, 2011

Mr. Allen Ng
Regional Administrator
Western Region
Food and Nutrition Service
United States Department of Agriculture
90 Seventh Street, Suite 10-100
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Ms. Penny Thompson, Deputy Center Director
Center for Medicaid, CHIP, and Survey & Certification
Centers for Medicare & Medicaid Services
7500 Security Blvd, MS C5217
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SUBJECT: STATE OF CALIFORNIA'S STRATEGY FOR ELIGIBILITY SYSTEMS

Dear Mr. Ng and Ms. Thompson:

On December, 7, 2010, prior to the change of Administrations in California, the Food and Nutrition Service (FNS) sent a letter advising us that it would not make a decision on the Los Angeles Eligibility, Automated Determination, Evaluation and Reporting (LEADER) Replacement System (LRS) project until the State provides a plan for centralized statewide eligibility and enrollment processes as directed by ABx4 7, a statute that authorized the development of a statewide eligibility process. In a letter sent on February 25, 2011, the Centers for Medicare and Medicaid Services (CMS) noted that the Affordable Care Act (ACA) will require California to rethink its strategy for eligibility systems development and deployment.

From the first days of the new Administration, we began to assess the history of the discussions between federal, state and local agencies to evaluate the capacity of the

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current systems and plan for our future needs. Recently-issued guidance and regulations from CMS and direct communications with FNS are providing a vision for the nature of the strategies that we must develop in close cooperation. In light of the productive discussions we have had in California, the consideration of the new opportunities provided under the ACA, our own concerted efforts to improve the effectiveness and efficiency of our eligibility processes, and our commitment to prepare for coverage expansion under the ACA, we are revising our strategies guiding the Statewide Automated Welfare System (SAWS) to address the multiple needs that these systems must support.

California faces three phases in system planning challenges as we work to support eligibility processing in the coming years:

- In the near-term, our first priority must be to meet the requirements of the ACA and support the development of systems that support the new program eligibility functions it offers as well as integrate those new processes with the existing system functionality where required.
- In the medium-term, we must provide for more efficient eligibility processes and more complete integration between the existing systems and the systems supporting the Health Benefit Exchange.
- In the long-term, we must implement a cost-effective, consumer friendly eligibility system approach that meets the needs of all the programs supported by these systems.

Near-Term Strategy. Early next year California will submit for federal approval the proposed design for meeting these near-term ACA requirements. To that end California has embarked on a planning process supported by both the California Health Benefit Exchange and our Medi-Cal and Healthy Families programs to design our systems approach to meet the requirements of the ACA. This approach will adopt the vision as outlined in federal guidance and regulation to offer clients multiple access points, ease of processing, and quick results when they apply for health coverage. It will also include close integration with application processes for other important programs that we offer. Our recently submitted Level One Establishment Grant will help to support this planning and design process. We are in active, productive discussions with stakeholders whose collective experience with existing systems will help to inform the new design. Because of the short timeframes required to meet the implementation dates established by the ACA, the design of the near-term functionality cannot include extensive reworking of our existing eligibility systems. We must build on and connect with the existing eligibility infrastructure that supports our Medi-Cal, Healthy Families, and welfare programs.

The second element of the near-term strategy is a detailed review of our eligibility rules and processes, particularly in light of the simplifications introduced by the ACA. This is an important opportunity to make sure that we are processing all applications and maintaining cases in the most efficient ways possible, consistent with program integrity and good customer service. These efficiencies we identify will be incorporated in the business processes that drive the design of the Exchange systems and the necessary design modifications in our other existing eligibility systems.

Medium-Term Strategy. While efforts are in place to meet the timelines set out by the ACA, we propose to take significant additional steps to consolidate our existing eligibility system architecture to provide more efficient and effective administration of eligibility processes. As you know, California has a long history of active engagement with our 58 counties which are organized into three consortia with separately operated systems that provide eligibility processing for our California Work Opportunity and Responsibility to Kids (CalWORKs), CalFresh, and Medi-Cal programs, among others. Each consortium is managed to meet county needs, and over time each system has been enhanced to provide improvements that offer operating efficiencies and improved client access. But more can and will be done.

We have previously submitted a proposal to replace the functionality supporting one of these consortia (LEADER) because the existing system is past its useful life, runs on unsupported hardware, and is expensive to maintain. That proposal reflected the culmination of procurement activities completed by Los Angeles County last year that has engaged a vendor to build a replacement for its out-of-date LEADER system. The chosen vendor is the same vendor who built and currently supports Consortium IV (C-IV). In fact, the vendor of the proposed LRS would use the C-IV technology as a starting point. The replacement system will modernize its platform to meet the business needs of Los Angeles County and align with Service Oriented Architecture (SOA) design principles, which will allow its services to be shared with other systems including those supporting the Health Benefit Exchange and the welfare systems of other consortia.

California now proposes that the C-IV and LEADER consortia take advantage of the pending LRS proposal with its more advanced technology, a design that aligns more closely with federal information technology standards, as the basis for forming a new consortium composed of Los Angeles County and the 39 C-IV counties. Under this approach, the current negotiated LRS vendor contract would be amended to include migration of the C-IV counties upon completion of LRS development and

implementation activities in Los Angeles. Prior to initiation of the LRS project, Los Angeles, the C-IV consortium and the State would work together to create a new combined consortium governance model, including enhanced state participation, that would be used to provide direction for the consortium through the design, development, implementation and ongoing operation of the new system.

To support this approach, California would accept the federal offer to extend the current C-IV maintenance and operations (M&O) services contract, but would require an extension through the end of the migration activities and system stabilization, estimated for completion by 2017-18. Concurrent with the LRS system's initial implementation in 2015 and prior to the C-IV county migration, the combined consortium would undertake a competitive procurement for the combined system's M&O which would begin once the migration activities have been completed and the system is stabilized.

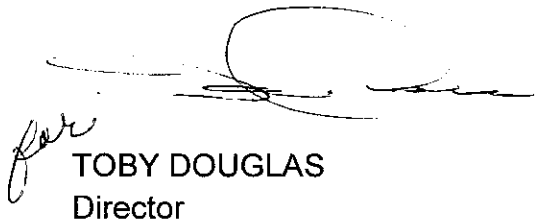
Long-Term Strategy. The proposed medium-term strategy provides for consolidation of our consortium approach from three to two systems. This is the next important step in reducing the complexity of the eligibility system configuration in California. It also provides for a more simplified overall system configuration, thereby simplifying the design of the ACA-related functionality. In addition, over the next few years, California would pursue cost-effective enhancements of both the C-IV/LRS and the CalWORKs Information Network (CalWIN) systems which may include the addition of optional requirements for enhancements to modernize the systems to increase their longevity. It may also include the use of some of the LRS shared services or functionality designed by other states. Consolidation to two systems will set the stage for review and assessment of the future direction for eligibility systems operations beyond 2017.

We believe this proposed strategy for California's eligibility systems is the best approach to meeting the challenges we face in implementing the ACA and improving our programmatic efficiency. This strategy will reduce duplicative system services, offer more economical program administration, and provide California counties with robust, flexible systems that provide for interoperability and reuse of system services. In addition, this strategy will help California achieve the vision outlined in federal guidance directing implementation of the Exchanges. It advances the state's efforts to achieve full Medicaid Information Technology Architecture (MITA) compliance. Once implemented, the combined C-IV/LRS system and a modernized CalWIN system will make significant movement toward the modular, flexible SOA model advanced in the federal vision. This approach provides the most effective way to meet the standards and conditions for receiving enhanced funding under Title XIX. It provides for the

development of a new system with the open design requirements while taking advantage of a substantial amount of existing technology. It provides a consolidation of existing eligibility data to allow for ease of integration with Exchange functions, timely processing, and consistency of reporting.

We are available to discuss this proposal further and to determine the process for securing approval for enhanced funding for Medicaid-related systems costs. If you have any questions, please contact Will Lightbourne at (916) 657-2598, or Toby Douglas at (916) 440-7400.

Sincerely,



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