

Legislative Analysis



DEPARTMENT OF HEALTH AND HUMAN SERVICES INFORMATION TECHNOLOGY CENTRALIZATION

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House Bill 5492 as introduced
Sponsor: Rep. Abdullah Hammoud
House Committee: Appropriations
Complete to 2-24-20

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 5492 would require the Department of Health and Human Services (DHHS) to begin phasing and transferring the procurement, development, and maintenance of all information technology (IT) services to the Department of Technology, Management, and Budget (DTMB) in order for DTMB to assume responsibility of these services by October 1, 2022.

The bill would establish a time limit for the centralization of IT services required under 2018 PA 389.

Proposed MCL 18.1385

BACKGROUND INFORMATION:

DMTB Centralized IT Service – Michigan was among the first state governments to create a centralized IT service delivery model. Governor Engler created the Department of Information Technology (DIT) in 2001 by Executive Order (EO) 2001-3. The EO required the re-engineering of the state’s IT infrastructure to achieve shared technology across Executive Branch agencies, the identification IT project and contract management best practices, and to serve as the general contractor between the state and private-sector providers of IT services, among other things. EO 2001-3 also stated, “all the authority, powers, duties, functions, responsibilities, personnel, equipment and budgetary resources involved in or related to the provision of information technology services currently located within any executive branch department or agency are hereby transferred to the Department of Information Technology”.¹

Executive Reorganization Order (ERO) 2009-39 created the position of state chief information officer to lead changes required under EO 2001-3 and merged DIT into the Department of Management and Budget (DMB), thereby establishing DTMB. In December 2018, EO 2001-3 and ERO 2009-39 were codified in statute with the enactment of 2018 PA 389.

To help implement the state’s centralized IT governance structure, DTMB developed and issued policies governing IT standards and procedures and their associated stakeholders

¹ <http://www.legislature.mi.gov/documents/2001-2002/executiveorder/htm/2001-EO-03.htm>

under its policies, standards, and procedures (PSP) framework. The PSP framework consists of the following six major IT policies areas.

- Enterprise IT Policy – Establishes statewide IT policies, standards, and procedures and outlines the authority, responsibility, and oversight to ensure that these standards and procedures are developed, implemented, maintained, and enforced.
- Project Management Methodology – Provides guidance for the management of all IT projects within the state, including software and infrastructure projects as well as changes to existing systems and maintenance releases.
- Systems Engineering Methodology – Provides guidance for the development, enhancement, and maintenance of new and existing IT systems within the state.
- IT Adoption, Procurement, Development, and Implementation – Establishes standards and processes to manage the adoption, acquisition, development, and implementation of IT to promote long-term sustainability and cost savings through standardization and consolidation of environments and leveraging the SOM enterprise’s buying power.
- Enterprise IT Infrastructure – Establishes the responsibilities of agency directors, DTMB, and the DTMB Director as they apply to the state’s IT infrastructure.
- IT Information Security – Establishes the state of Michigan strategy for IT security for information systems that process, store, and transmit SOM information.

In addition to establishing statewide IT governance, methodologies, and procurement standards, DTMB created the state’s Enterprise Portfolio Management Office (EPMO) in 2012 to centralize management of the state’s IT projects and to help in managing departments’ IT project portfolios and investment strategies. EPMO develops and oversees standardized processes related to project and portfolio management. Beginning in 2013, EPMO began to consolidate statewide data on all Executive Branch IT projects and to track and report on those projects. Over the following years, DTMB relied on persuading departments to see the benefits of DTMB centralized management of their IT projects and ongoing operations for securing cooperation in moving toward the centralized state IT model directed by EO 2001-3 and ERO 2009-39.

DHHS IT Administration – DHHS is the state’s largest department and represents 64% of the state’s adjusted gross budget in FY 2019-20, not including School Aid, Higher Education, and Community Colleges, which are not included in the state’s IT services. In FY 2017-18, DHHS IT spending represented 36% of the state’s IT spending. In the Executive Recommended budget for FY 2020-21, 60% of all recommended ongoing IT appropriations for FY 2020-21 are allocated to DHHS.² Year-to-date DHHS appropriations for IT services are \$504,698,900 Gross (\$106,017,200 GF/GP).

DHHS, in coordination with DTMB, currently administers over 300 computer systems and four major programmatic systems. In February 2019 DHHS used over 348 computer

² DHHS IT appropriations make up a disproportionately higher percentage of IT appropriations to IT spending in relation to that of other state departments. In the FY 2019-20 DHHS budget, \$175.5 million was transferred out of DHHS program line items and appropriated to the department’s IT line items. This budget transfer corresponded to the amount of prior IT spending in those line items and represented 35% of the department’s total FY 2019-20 IT appropriations. Other departments still expend money on IT from program line items.

systems. DHHS directly administered 129 systems and DTMB administered 219. The four major systems are:

- Bridges: the primary enrollment system for all public assistance programs, such as the Food Assistance Program (federal Supplemental Nutrition Assistance Program), the Family Independence Program (TANF-supported cash assistance), State Emergency Relief (for home heating, or other utilities-based emergencies), Medicaid, and others.
- Michigan Medicaid Information System: also known as the Community Health Automated Medicaid Processing System (CHAMPS), this system is the primary Medicaid claims processing system for the state.
- Child Support Enforcement System (CSES): this system manages all child support payment processing in the state.
- Michigan Statewide Automated Child Welfare Information System (MiSACWIS): this system is the primary data logging and retention program for all child abuse and neglect cases in the state.

Additionally, DHHS expends IT appropriations for various other technology-based costs, such as Integrated Service Delivery (ISD), Data Warehouse, and basic communications systems.

Boilerplate section 219 of 2019 PA 67 authorizes DHHS to contract with the Michigan Public Health Institute “for the design and implementation of projects and for other public health-related activities.” As of January 1, 2020, DHHS held several IT-related contracts, with the highest valued at \$14.3 million (\$12.8 million GF/GP) for Medicaid Compliance.

In 2015, DHHS created the Business Integration Center (BIC) to serve as its IT administrator and Program Management Office (PMO). BIC took an enterprisewide approach to identifying, prioritizing, and executing the department’s portfolio of IT projects. It aimed at reducing redundant system functionality and aligning the department’s IT operations with its business goals. BIC served as the administrator of DHHS’s IT and project management using DTMB’s State of Michigan standards and guidance. BIC provided tracking and reporting on department projects and systems and assisted in identifying and selecting future DHHS IT work and projects.

In May of 2018, DHHS notified the legislature of a \$15.0 million GF/GP financing shortfall in its FY 2017-18 information technology budget.³ In November of 2018, the State Budget Office requested, and the House and Senate Appropriations Committees approved, a legislative transfer request that redirected \$15.1 million GF/GP from other DHHS programs and increased the federal revenue spending authorization by \$50.0 million (for a total transfer of \$65.1 million Gross) in order to remedy the FY 2017-18 IT budget shortfall.⁴

³ See also the June 1, 2018, letter sent pursuant to 2007 PA 2, MCL 18.1371.

⁴ LTR 2018-11.

Following the identification of the shortfall, DHHS realigned BIC into their Strategic Integration Administration (SIA). According to the department, this realignment in autumn of 2018:

“[W]as in direct response to a significant IT budget shortfall and better positioned the department to leverage the staff and it’s [sic] associated structure to more effectively and efficiently deliver it’s [sic] IT projects.

Establishment of a common MDHHS methodology to technically integrate MDHHS systems.

Create a multi year plan to implement technology solutions which enable the program areas to achieve their business vision.

Implementation of common security and data governance controls for MDHHS

[The department] also moved the financial services areas within SIA to form the Bureau of IT Support Services in the same area of the department where budget projections are done.”⁵

DTMB and DHHS – Years after state departments began to turn over administration of their IT services to DTMB, DHHS maintained a hybrid system of department-administered and contracted IT services along with coordination with DTMB for contracting, project management, and IT planning. In August 2017, 341, or 81%, of the state’s 419 active IT projects were managed by EPMO. Of the 78 projects not managed by EPMO, 41 were in DHHS. Of the 101 DHHS projects recorded in EPMO’s portfolio management data-tracking tool at that time, 40% were managed by EPMO and 60% were not. While a non-EPMO managed project can comply with all State of Michigan policies and standards, the project manager does not report to, and is not directly accountable to, EPMO.

In January 2020, DHHS transferred a DHHS contract worth \$5.1 million for IT program and project managers to DTMB. As of February 17, 2020, EPMO reports that 64 projects, or 97%, of DHHS projects are managed by EPMO. These percentages are derived from data from the EPMO IT Project report, which uses data pulled from Clarity, EPMO’s portfolio management tool, and may not reflect the actual numbers of EPMO and non-EPMO managed projects. The Michigan Office of the Auditor General, in its January 30 letter to the House of Representatives Information Technology Task Force, noted that not all DHHS projects were included or accurately reported in Clarity.

FISCAL IMPACT:

The bill may result in a reduction of contracting costs to the state as a result of leveraging DTMB’s centralized contracting services for reduced administrative costs. Any potential savings would depend on the difference in contract terms and costs between DHHS and

⁵ DHHS presentation to the House Standing Committee on Appropriations Subcommittee on the Department of Health and Human Services on April 11, 2019.

DTMB contracting and the number and size of the contracts that would be transferred to DTMB. A recent contract transfer of third-party IT services from DHHS to DTMB resulted in administrative savings of \$185,000. DHHS and DTMB have begun the process of consolidating IT contracts under DTMB over the last year. The number and size of remaining DHHS IT contracts is not yet available at the time of this analysis, and it is unknown how many, if any, of these contracts would be transferred as a direct result of the bill.

The bill would have an indeterminate fiscal impact on DHHS. Transferring all DHHS IT procurement, development, and maintenance requirements to DTMB would likely incur administrative costs. Additionally, DHHS appropriations for these IT services would need to be transferred to DTMB prior to the beginning of FY 2022-23 via supplemental appropriations or through the budget process. Year-to-date DHHS appropriations for IT services are \$504,698,900 Gross (\$106,017,200 GF/GP).

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.