

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**  
**DIVISION OF INFORMATION RESOURCE MANAGEMENT**  
**BUDGET DEVIATION REPORT**  
**JOINT LEGISLATIVE COMMISSION ON GOVERNMENTAL**  
**OPERATIONS**  
**NOVEMBER 5, 2003**

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**Background:** The Division of Information Resource Management (DIRM) is the Department's centralized automation service provider. The responsibilities of this Division include the maintenance of hardware, networking services, and software. Software maintenance includes keeping operational versions of 'off the shelf' software reasonably current and development or modification of existing proprietary software to meet current operational requirements of the federal government and state government entities outside the Department. Maintenance and enhancements to the various computerized systems are the most costly and involved functions for which DIRM is responsible.

Over the past several years, Information Technology increased needs and self-imposed changes have extended beyond the means made available when Divisions originally transferred operational funding, and SIPS requirements, to DIRM. In preparation for the new budget biennium, this shortfall was recognized by the Governor's Office, the General Assembly, and the Office of State Budget and Management. The budget proposal from the Governor to the General Assembly included \$23,014,348 for DIRM in the current fiscal year. However, due to insufficient funds at the statewide level, this proposal was eliminated from the final adopted budget. Hence, the Department of Health and Human Services has identified one-time funding to cover this fiscal years projected deficit, as updated.

DIRM certified budgeted expenditures are \$21,201,851, as of July 1, 2003. Of this amount, \$3,829,173 is for contract services and \$5,531,708 is for ITS charges and together account for 44 % of DIRM's total budget. Contract services are heavily utilized by DIRM due to the following:

1. The need for expertise for certain projects are relatively short-lived and establishing a permanent position is not efficient in meeting the requirements and deadlines of the project, and
2. The Department's ability to recruit qualified Information Technology professionals into existing positions is very difficult due to salary constraints.

Neither of these problems is unique to the Department of Health and Human Services.

Over the past two (2) fiscal years, DIRM has made significant progress in reducing it's costs to the Department through the elimination of excess contract staffing and working with ITS to reduce their rates for SIPS billings. In addition, rates for existing contract staff have been reduced on the average of 16%. Including Fund 1411 ( Welfare Reform ), total costs last year were reduced by \$ 25 million over fiscal year 2001-02 and it is anticipated that \$ 60 million will be spent this year, for both Fund 1410 as well as Fund 1411, as compared to the \$ 82 million benchmark spending of fiscal year 2001-02. A continuing source of concern is the ever increasing cost of county connectivity to data stored at ITS ( via SIPS ) and the addition of new data by the counties as various programs continue to expand, especially ACTS. These costs are discussed below as a problem area.

DIRM is concentrating its efforts on self-evaluation, both internal and external for the benefit of the Department, and the Divisions it serves. As mandated by Senate Bill 397, this process is being enhanced by the Department-wide Information Technology Study. Based upon the outcome of this study, DIRM will take recommended suggestions under heavy advisement in continuing its efforts for improving efficiency.

**Problem:**

**Contractors:** The certified budget for contract services is less than the amount of actual contract services costs incurred in 1997-98. However, the utilization of software contractors continues to increase in the current year over last year's costs. The workload has increased due to automation requirements of federal and state legislation such as:

1. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996,
2. Session Law 1999-334 – Long-term Care Safety Initiative (Senate Bill 10);
3. Session Law 1997-490 – Modify Setoff Debt Collection (SB 39 -Fraud Prevention & Tracking),
4. Session Law 1999-434 – Electronic Payment / Information Technology (SB 222);
5. Health Insurance Portability and Accountability Act of 1996 (HIPAA).

DIRM needs additional contractors in order to fulfill its required responsibilities on an ongoing basis. The budget package currently being developed for submission to the Office of State Budget and Management will increase total requirements for contractor costs by \$10,865,354 for DIRM operations and \$3,900,000 for HIPAA.

**Information Technology Services:** Local users, primarily county governments, continue to access program applications at an increasing rate. It is estimated that, for the current fiscal year, the costs of county connectivity for various systems will total approximately \$9.2 million, or almost 40% of the total amount expended. The majority of the increase can be attributed to programs administered by the Division of Social Services and include the federally mandated ACTS program with applications such as tax intercept, central collections, central registry, new hire directory, and parent locator services. ITS rate reductions have had a positive impact on DIRM's costs. However, these savings have been more than offset by increased utilization at the county level. The Department needs to increase total requirements for the ITS budget in the current year by \$18,576,777 to pay for increased utilization.

**Health Insurance Portability and Accountability Act:** In addition to increased costs for contractor utilization and ITS charges, the Department has been charged with implementation and assessment of the statewide HIPAA efforts. The vast majority of these costs reside in DIRM's budget. This is a federally mandated program with compliance deadlines and penalties for non-compliance. Currently, work is being done in this area to finalize transaction and code sets, data storage issues, and security standards for DHHS. HIPAA is a new program that DIRM began implementing in state fiscal year 2000-01 and will continue until we are in compliance with federal guidelines.

**Resolution:** DIRM is in the process of developing budget revisions to bring the DIRM budget into alignment with current fiscal year needs. Some of these increased costs can appropriately be supported with federal funding and the budget revisions which will be submitted to OSBM will reflect an increase in federal receipts. Non-recurring receipts such as prior year earned revenues, indirect costs, and other budget availability will comprise the non-federal share.

ITS charges will be evaluated against each application's historical utilization and available funding will be identified which will equal amounts necessary to budget in order for all ITS bills to be paid. In some cases, these applications can be related to a specific division and applicable federal funding has been budgeted for these costs. Any non-federal share will be funded from one time receipts or other budget availability.

Federal funds have limited availability to support DIRM expenditures related to HIPAA compliance. Therefore, the budget actions to be submitted to support this program for the remainder of the 2003-04 fiscal year will be mainly state funds.

## DIRM BUDGET STATUS

	Total	DIRM Operations	ITS Charges	HIPAA
Certified Budget ( 07/03 )	\$ 21,201,851	\$ 15,670,143	\$ 5,531,708	\$ 0
Total Projected Costs	\$ 54,543,982	\$ 26,535,497	\$ 24,108,485	\$ 3,900,000
Variance	\$ (33,342,131)	\$ (10,865,354)	\$ (18,576,777)	\$ (3,900,000)
Federal Share of Variance	\$ (12,666,460)	\$ (2,771,376)	\$ (9,879,934)	\$ (15,150)
State Share of Variance	\$ (20,675,671)	\$ (8,093,978)	\$ (8,696,843)	\$ (3,884,850)

## EXPLANATION OF DIRM OPERATIONS VARIANCES

DHHS Division	Total Variance	Major Requirements / Initiatives
Social Services	(\$7,993,589)	<ul style="list-style-type: none"> <li>◆ EPICS – Date of Discovery Project</li> <li>◆ EPICS – Treasury Offset Program enhancements</li> <li>◆ Federally required changes to Medicaid for Infants and Children</li> <li>◆ An interface between the Automated Collections and Tracking System (ACTS) and the Eligibility Information System (EIS) as a result of the federally required Centralized Collection for Child Support</li> <li>◆ Federally and state required tax interception (intercept tax refunds from absent parents who are in arrears)</li> <li>◆ Transfer of remaining ACTS contract staff from Child Support (DSS) to DIRM</li> <li>◆ ACTS IRS audit findings corrections</li> <li>◆ ACTS changes to federal reporting requirements</li> <li>◆ ACTS Customer Service tracking web solution</li> <li>◆ ACTS Centralized Collections web payments</li> <li>◆ Required TANF Emergency Assistance Payments for Child Welfare Programs</li> <li>◆ Additional reporting of federal initiative National Survey for Child and Adolescent Well-Being</li> <li>◆ Additional required reports to the federal Adoption and Foster Care Analysis and Reporting System (capture race/ethnicity and reformat of transmission file to AFCARS)</li> <li>◆ Federally required changes to matching programs that provide information on recipients, such as reported income and resources to the IRS, Social Security Administration, and Employment Security</li> <li>◆ Absorption of three programs from DSS – EPICS, Common Client ID, Welfare Reform Project Management</li> <li>◆ Expand Consumer Data Warehouse to support Race, Ethnicity and Language requirements for EPICS, Common Client ID, Food Stamp, Energy Assistance, Crisis Intervention , Employment Program , Eligibility Information and ACTS systems</li> <li>◆ Medicaid Plastic Cards</li> </ul>
Child Development	(\$564,762)	<ul style="list-style-type: none"> <li>◆ Additional required federal reports</li> <li>◆ Continued NCAS support</li> </ul>

## **EXPLANATION OF DIRM OPERATIONS VARIANCES (continued)**

<b>Division</b>	<b>Total Variance</b>	<b>Major Requirements / Initiatives</b>
Public Health	(\$323,362)	<ul style="list-style-type: none"> <li>◆ Federally required changes for processing of Medicaid claims</li> <li>◆ Federally required changes for WIC</li> <li>◆ Required federal adjustment to purchase of medical care services</li> <li>◆ Continued NCAS support</li> <li>◆ Addition of Migrant Health programs</li> <li>◆ Immunization Registry program</li> <li>◆ Vital Records program</li> <li>◆ Health Information System upgrades and enhancements</li> <li>◆ MMIS + Rebid study Project Management Office</li> </ul>
Medical Assistance	(\$250,715)	<ul style="list-style-type: none"> <li>◆ Operational support for Medicaid and enhancements for Health Choice</li> <li>◆ Revisions to support Session Law 1997-490 (fraud prevention and tracking)</li> <li>◆ Continued NCAS support</li> <li>◆ MMIS + Rebid study Project Management Office</li> <li>◆ Medicaid Plastic Cards</li> </ul>
Mental Health	(\$783,267)	<ul style="list-style-type: none"> <li>◆ Expansion of connectivity and e-mail alternatives</li> <li>◆ Expand Consumer Data Warehouse to support Race, Ethnicity and Language requirements</li> <li>◆ Expand Consumer Data Warehouse to support Race, Ethnicity and Language requirements for the HEARTS program</li> <li>◆ Continued NCAS support</li> <li>◆ MMIS + Rebid study Project Management Office</li> </ul>
Facility Services	(\$219,245)	<ul style="list-style-type: none"> <li>◆ Session Law 1999-334 – Long-Term Care Safety Initiative</li> <li>◆ Continued NCAS support</li> <li>◆ MMIS + Rebid study Project Management Office</li> </ul>
Vocational Rehabilitation Services	(\$368,064)	<ul style="list-style-type: none"> <li>◆ Support case management services for VR counselors</li> <li>◆ Continued NCAS support</li> <li>◆ Enhance case management system to support dial-up users statewide</li> <li>◆ Support Federal Ticket to Work Initiative</li> <li>◆ Expand Consumer Data Warehouse to support Race, Ethnicity and Language requirements</li> </ul>
Disability Determination Section	(\$1,221)	<ul style="list-style-type: none"> <li>◆ Continued NCAS support</li> </ul>
Central Administration	(\$361,129)	<ul style="list-style-type: none"> <li>◆ Continued NCAS support</li> <li>◆ Maintain database to track Department contracts</li> <li>◆ IPX to IP Conversions for security measures</li> <li>◆ IT Study Team as required by SB 397</li> <li>◆ Security Enhancements</li> <li>◆ Information &amp; Referral System</li> </ul>