

**Legislative Finance Committee: IT Project Portfolio
Supplemental Report**

A. General Project Information

1. Agency: DPHHS
2. Project Title: Medicaid Management Information System (MMIS)
3. Date Prepared: 09/08/2014
4. Prepared By: Jackie Thiel

B. Project Status

1. Overall Health: Yellow
2. Brief description of current project status

DPHHS rates the overall project status as “Yellow”. Although the number of out-of-scope gaps has gone down, the number of out-of-scope gaps is unacceptably high. In addition, Xerox notified DPHHS that it is experiencing schedule management issues that are affecting Earned Value and the Schedule Performance Index. The next payment milestone scheduled for November 16, 2015 is the Benefit Plan Administration Iteration Acceptance Payment Milestone.

DPHHS expects the overall project status to remain “Yellow” until Xerox dramatically reduces the number of out-of-scope gaps and resolves the schedule management issues that are affecting Earned Value and the Schedule Performance Index.

Public Knowledge, the MMIS DDI Independent Verification and Validation (IV&V) vendor contracted by DPHHS, has reported the Xerox MMIS DDI project performance status as “Yellow” in the most recent monthly independent status report dated August 27, 2014.

3. Major milestones completed so far: None
4. Next milestone(s):
 - Benefit Plan Administration Iteration Acceptance Payment Milestone scheduled for November 16, 2015

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Supplemental Report**

C. Scope Changes

Title and Brief Description	Date Approved	Schedule Impact (weeks)	Budget Impact (\$ amount)

D. Issues and Risks

Title and Brief Description	Date Identified	Planned Resolution	Responsible for Resolution

E. Additional Comments

DPHHS internal project reporting rates the Scope as “Red” due to outstanding issues and risks related to project execution by our vendor Xerox State Healthcare, LLC (Xerox). Xerox continues to struggle with executing effective design sessions in the functional areas currently conducting concept sessions. There are 253 out-of-scope gaps. The Xerox process for reviewing and reaching agreement on the out-of-scope gaps was not resolving these gaps in a timely manner. DPHHS requested that Xerox present a more aggressive process to dramatically reduce the number of out-of-scope gaps. An out-of-scope gap is functionality requested by the Department that Xerox does not believe is in the scope of the RFP. DPHHS has been very diligent in documenting the supporting requirements for these gaps. DPHHS and Xerox meet periodically to discuss and resolve the backlog of out-of-scope gaps. This will continue to be a risk until the number of out-of-scope gaps falls below 20.

DPHHS internal project reporting rates the Schedule as “Yellow”. DPHHS approved the re-planned work plan on July 18, 2014 which immediately resulted in a “Green” schedule. On August 27, 2014, Xerox notified DPHHS that due to a problem that occurred when Xerox baselined the re-planned work plan, the Schedule Performance Index (SPI) will be greater than or equal to .94 and less than .98 which represents a “Yellow” status. Xerox is currently performing an impact analysis of this issue. Xerox anticipates that this issue will self-correct (meaning the Schedule status will change back to “Green”) by the September 3, 2014 weekly status report. Unfortunately, until the root cause is thoroughly analyzed and a plan to correct this issue identified, they

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expect the SPI to alternate between “Green” and “Yellow” from week to week. DPHHS is concerned that until this issue is corrected, it is possible that it may mask other schedule issues. DPHHS has also expressed concern to Xerox that based on their schedule management approach; they are likely overstating Earned Value (EV) which would also potentially artificially inflate the SPI. DPHHS has requested an assessment of this concern so that DPHHS can quantify the potential impact that these schedule management practices have on project metrics and status reporting.

DPHHS rates the Budget as “Red” based on the reporting criteria. Both the initial estimated cost and current estimated costs reflect the fully loaded costs of the project. Xerox has not been paid any money related to the payment milestones for the MMIS DDI project. The MMIS DDI contract established payment milestones requiring Xerox to deliver working software configured to Montana’s business requirements that can be demonstrated to our business users for their approval. The only expenditures to date are for DPHHS related expenses including DPHHS Business Analysts, DPHHS Subject Matter Experts, Contract Project Manager, Independent Verification and Validation contractor, rent, operational expenses, and indirect expenditures. All of these expenditures were planned and are customary for this type of project. These expenditures are required by CMS to support the execution of the project.

DPHHS internal project reporting rates the Risk as “Green”. There is one project risk with a Risk Rank of six or less which requires both a risk mitigation plan and a contingency plan. This risk has both a risk mitigation plan and a contingency plan and it is being actively managed. The remaining three project risks require risk mitigation plans. DPHHS has reviewed these risk mitigation plans and has provided feedback to Xerox to improve the approach to managing these risks.