

Memorandum

TO: Economic Affairs Interim Committee Members
FROM: Commissioner Laurie Esau, UI Administrator Paul Martin, Technology Services Administrator Kim Warren
DATE: February 1, 2022
SUBJECT: Montana Unemployment Insurance Modernization

Montana is in dire need of a new, modern Unemployment Insurance benefits processing system. Our existing core system, MISTICS, was developed using 1990s-era technology more than 20 years ago and relies on an outdated Oracle forms and reports product that will be unsupported by 2024. Because of MISTICS' outdated technology, it relies on a maze of patchwork interfaces to keep it afloat – an increasingly complex chain of systems that make it incredibly fragile. The Department of Labor & Industry seeks funding from the legislature to pursue, in accordance with the State IT Strategic Plan, a new, modern platform that will improve customer satisfaction, reduce claims processing times, limit the risk of fraud and systems outages, and ultimately save taxpayer dollars.

The Cost of Doing Nothing

With each passing day, the costs, and risks of using this outdated system grow:

- **Longer delays** for claimants who need their benefit payments
- **Longer wait times** for customers attempting to contact UI call centers for assistance
- **More outages** leading to frustrations for customers who cannot access their accounts or benefits
- **Ever-increasing costs** to the Department – and ultimately to the taxpayer – for maintenance and support. In SFY21, DLI spent over **\$3.7 million** supporting the existing MISTICS system.
- **Growing risks of fraud or catastrophic failure** that could cost taxpayers millions or leave thousands of Montanans without access to benefits when they need them most.

Meanwhile, resources with the necessary knowledge and experience to support old-fashioned technology like MISTICS are increasingly scarce. In 2018/2019, DLI had 14 IT staff carrying expertise both in the necessary programming languages and federal/state UI requirements. By 2020, DLI was down to just 3 expert contractors able to support MISTICS. This was a serious problem during the pandemic when backup resources were unavailable to cover core system programming requirements.

Customer/Stakeholder Wins from Modernization

Claimants

A new claims platform will have benefits for all of UI's key stakeholders. For claimants, it means a streamlined, easier-to-use filing process that results in fewer frustrating phone calls, fewer delays in receiving benefits, and payments in the hands of claimants in a shorter timeframe. The following list outline some of the issues with the current system and the advantages of a new system.

The claims filing process for customers will be dramatically simpler and less prone to failure. Under the current system:

- Each different UI-affiliated system must interact seamlessly with one another for a claim to process: MISTICS, ForgeRock, ID.me, Montanaworks, Enterprise Content Management, and Content Composer. One failure at any point in this chain could block the processing of an entire batch of claims.
- Information and requests for contact are via phone and mail, which is time-consuming and costly.
- A claimant has 30 days to complete ID verification via a third-party vendor or all claim data is dropped from all systems, requiring them to start the process all over again.
- It very costly and time-consuming to get information. For example, a single accounting/reporting query out of MISTICS requires three distinct business units, 5.5 FTE work hours and almost \$500 in taxpayer dollars to complete.
- The average time for claim completion is nearly three weeks.

Under a **modern** system:

- Building on a platform enables DLI to take advantages of new features as the platform grows. Additionally, a shared platform offers the ability to collaborate with other agencies to improve the user experience and access to critical resources.
- Hosting in the cloud provides scaling advantages. That is, we can scale use of the system dynamically based on demand, reducing or eliminating outages.

- Business analysts (rather than developers) can maintain the majority of the system. This skillset is much easier to hire and generally less expensive. Information and requests for contact flow both directions with secure, real time, electronic communication via text, website, or email, at the claimant's choosing. Paper options will remain available.
- We estimate the average time for completion can be reduced by 30%.

Recommendations for Montana

The Department has been, in conjunction with State CIO Kevin Gilbertson, assessing approaches to how a modern UI system can be obtained **in accordance with the Governor's IT Strategic Plan**. Among the plan's near-term goals is to **move away from expensive, complex, custom-built products and look towards a "[commercial off-the-shelf] first" approach, and our assessment mirrors that goal**. The Department has assessed various paths for pursuing a modernization.

Other States' Recent UI Benefits Upgrades

- Kansas' Governor has recommended spending \$37.5 million to upgrade its UI system, with a [total cost of \\$40 to \\$50 million](#) over 5 years.
- Nevada has recommended using [\\$54 million](#) in federal ARPA funding for an overhaul of its UI system
- The Governor of Florida recently announced plans to spend approximately \$73 million of ARPA funding to begin a replacement of the state's UI benefits system. They estimate a total cost of [\\$244 million](#) over a five-year period.
- Colorado spent \$65 million (with roughly \$12 million spent in emergency pandemic spending) on a new system that went live in early 2021
- Wisconsin's governor has recommended a [\\$79 million](#) investment into upgrades into its UI system.

Based on the Governor's views and the views of the state CIO, we do not believe that a fully custom-built UI claims benefits system makes sense for Montana at this time. Custom-built options are costly and in other states' experience have a high rate of failure.

For a state of this size, pursuing a commercial off-the-shelf, platform-based, software-as-a-service (SaaS) model offers the most value for taxpayers and the most promising prospects of delivering a successful product on time and within budget. Using the Software as a Service model allows the state to spread the cost of a new platform over a number of years while enabling the state to benefit from maintenance, service and upgrades necessary to its reliability.

Presently, the Department is engaging with three organizations to evaluate business and technical needs. Following this evaluation we will be able to better identify an appropriate budget.

Conclusion

The pandemic demonstrated the critical role UI plays in times of economic crisis, and laid bare the shortcomings, operational risks, and antiquated technology of the UI Division's current system. This document lays out the challenges that MISTICS and its complicated patchwork of interfacing programs presents to the Department and its mission of serving Montana's citizens, and the ways in which a new, modern system will lead to a better customer experience, lower costs, and more accountability for the UI program.

In our last legislative session, UI received \$45 million of appropriation for this cause. The Department's evaluation phase should provide a more exact figure, but we believe that we can deliver a product for significantly less than that number. Accordingly, we hope this document can serve as the starting point for a continued dialogue with the members of the Committee as to the importance of this project and can lay the groundwork for further discussions about how the Department can best proceed with the support and confidence of the Legislature.

Thank you for your attention to this matter and if you have any questions, please contact us at your convenience.