MES Mainframe Refactor

State of Arizona – AHCCCS

Change Request

February 19, 2025

Project # HC24014

ARIZONA
HEALTH CARE COST
CONTAINMENT SYSTEM

Agency Vision
Shaping tomorrow's managed care...from today's experience, quality and innovation.
Agency Mission
Reaching across Arizona to provide comprehensive, quality health care to those in need.

Project Team Introduction

Roles Present at ITAC

- Anthony Flot – *Chief Technology Officer*

- Joshua Worley, Deputy Assistant Director – *Business and Finance Division*

Project Introduction

Overview of Original Project Investment Justification (PIJ):

Background

AHCCCS is currently utilizing a mainframe-based application which has reached 90% of its total capacity usage. The primary objective of this project is to migrate these mainframe systems to the Azure cloud platform. On 02/22/2024, ADOA-ASET gave approval to procure the *MES Mainframe Refactor* solution.

Benefits of Mainframe Solution:

- *Provides modernization of mainframe applications to a managed Azure environment.*
- *Ability to custom design the components of the Azure platform to support the Mainframe Refactor.*
- *Supports test development activities and testing on the applications migrated to Azure.*
- *Resolves defects associated with the Mainframe Refactor and provides informal knowledge transfer assistance to the AHCCCS-ISD team.*

The original PIJ spanned **27 months** and had development costs of **$56,291,833.48**.

Current Overall Project Health: Red

Budget		• Funds projected for SFY24 were moved to SFY25 due to project start and invoice timing. Operational costs for professional services was removed and Licensing Costs were shifted to Development for SFY26. ○ Budget has **not exceeded** the original expectations. However, the current budget will not be enough for the additional need of contracted help to complete the project.
Schedule		• Due to technical issues with file sizes and shared file locations, the schedule is approximately 20 weeks behind. The technical issues were **resolved** the week of January 27, 2025 and a two phased evaluation will begin to determine what efficiencies can be achieved to bring the schedule back on track. ○ **To mitigate the effects of the delay in schedule**, AHCCCS has submitted this Change Request for approval to acquire additional resources (contracted employers who specialize in IDEAL/DATACOM) to aid in bringing the project up to speed.
Scope		• There are no scope concerns from the original PIJ

Current Overall Project Health: Red

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Milestones		• Adding two additional sprint groups for **increased support**, # of programs increased in volume – planning still in progress • Adding end to end testing after all sprints are complete to **ensure quality** ○ A **detailed exit plan** for the Mainframe will be completed and presented in June 2025
Risks		• **Lack of Skilled Resources (SMEs)** - Before the project began, AHCCCS developed a resource needs list to complete the Refactor project. Currently, AHCCCS resources are working the project and are allocated to many other initiatives within ISD. The current hiring cap also puts a constraint on getting resources as usual to augment existing staff. ○ **With the approval of this Change Request, the additional resources will aid to mitigate this risk.**
Issues		• **Baseline Test Captures Rejected Due to File Size** - **resolved** with a delta file, testing in process to ensure longevity • **DB Extracts/Shared File Drive Access** – mapped to a new location, testing in process to ensure availability • **HI Environment Data Issue** – Workaround in place. The environment is functional, and the team is working towards a long term solution.

Project Change Request Overview

What in the PIJ is changing?

- ❏ **Timeline**
    - ○ N/A
- ❏ **Scope**
    - ○ N/A
- ■ **Budget**
    - ○ From **$56,291,833.48** to **$76,224,583.48**

What initiated this change?

- Due to headcount restrictions, AHCCCS has had to procure an outside vendor to support the completion of the project
    - ○ The risk related to SME support was identified prior to project start. The current hiring cap **accelerated** the need to identify an alternate approach to mitigating the risk.

- AHCCCS expects for there to be **additional changes** to already existing vendor contracts to ensure project has the right support in place to protect the Medicaid program for Arizonans.

Financial Impact

Change in Project Financials

Actual Spend from 04/24 through 01/25	$ 20,924,297
Projected Spend for 2/25 through 6/26	$ 55,300,286
Increase of:	**$ 19,932,750.00**

Noteworthy Fiscal Events:

- FY24 – Due to project start and invoice dates, no funds were spent in FY24

- FY25 – Due to headcount cap, external subject matter expert support needs acquired for project management and developers for the project to remain on track

Overall 5 year costs have minimal change due to shift in funding spend, which moved operational costs into year 6 that were previously reported

Current Project Costs

Project Costs by Category	FY24	FY25	FY26	FY27	FY28	Total
Professional & Outside Services (Contractors)*	**$29,829,890.81**	**$24,289,942.67**	**$15,000,000.00**	**$15,000,000.00**	$15,000,000.00	$99,798,589.48
License & Maintenance Fees	$0	$2,172,000	$4,344,000.00	$4,344,000.00	$4,344,000.00	$15,204,000
Total Development	**$29,829,890.81**	**$26,461,942.67**	**$32,029,448.67**	**$5,567,500.00**	$0	$76,224,589.48
Total Operational	$0		$19,344,000.00	$19,344,000.00	$19,344,000.00	$38,688,000.00

Amended Project Costs

Project Costs by Category	FY24	FY25	FY26	FY27	FY28	Total
Professional & Outside Services (Contractors)*	⬇ $0	⬆ $36,455,640.81	⬆ $27,685,448.67	⬆ $20,567,500.00	$15,000,000.00	⬆ $99,798,589.48
License & Maintenance Fees	$0	$2,172,000	$4,344,000.00	$4,344,000.00	$4,344,000.00	$15,204,000
Total Development*	⬇ $0	⬆ $38,627,640.81	⬆ $32,029,448.67	⬆ $5,567,500.00	$0	⬆ $76,224,589.48
Total Operational	$0		⬇ $0	$19,344,000.00	$19,344,000.00	⬇ $38,688,000.00

*Due to invoice timing, no invoicing occurred in FY24 and FY24 costs were shifted to FY25, FY26, and FY27

- Operational costs totaling $15M was removed from FY26 and licensing from FY26 was shifted from Operational to Development for each FY. Overall costs for operations remain the same but 1 year of ops was removed from the total costs due to the shift in schedule
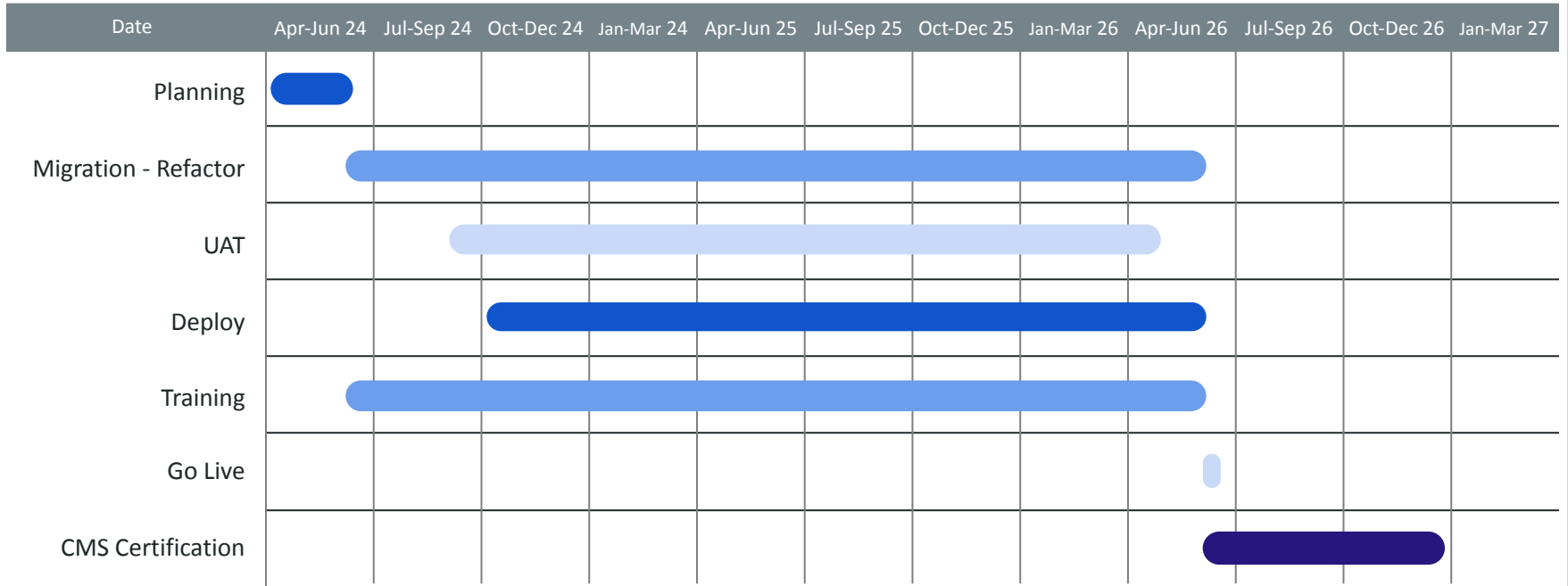
IV&V Recommendations Assessment

High Risk Key Recommendations - (January 2025, Public Consulting Group)

- ○ **Key Finding #1: Missing or Undefined Requirements**

  - ■ **Statement**: The Requirement Traceability Matrix (RTM) is still in development. AHCCCS needs a defined verification method that satisfies activity requirements.
  - ■ **Recommendation**: Prioritize RTM activities to identify and document requirements, business rules, and as-is processes.
  - ■ **AHCCCS Response:** The team is considering using tools to assist the team (generative AI/IDEAL) to expedite the documentation process/approach

- ○ **Key Finding #2: Resource Management**

  - ■ **Statement**: There are competing priorities and projects for limited staff across multiple projects. (Baseline Testing, for example)
  - ■ **Recommendation**: Develop and review a Staff Management that describes the approach for identifying, obtaining, allocating, developing, tracking, and controlling human resources associated with the project during the life of the project.
  - ■ **AHCCCS Response**: AHCCCS has brought in various vendors to support the workload and this CR will add additional resources for project management and development.

*There are six total findings, which are available in their entirety for review alongside the ITAC agenda. The above are the two recommendations most relevant for the current Change Request

Q & A
Session

Recommended Conditions

ADOA-ASET Conditions

a.   Should development costs exceed the approved estimates by 10% or more, or should there be significant changes to the proposed technology scope of work or implementation schedule, the Agency must amend the PIJ to reflect the changes and submit it to ADOA-ASET, and ITAC if required, for review and approval prior to further expenditure of funds.

b.   Monthly reporting on the project status is due to ADOA-ASET no later than the 15th of the month following the start of the project. Failure to comply with timely project status reporting will affect the overall project health.

c.   **Completed** -The agency shall provide the quarterly Independent Verification & Validation (IV&V) report, via email communication, to ADOA-ASET 90 days following the start of the project. IV&V vendor to submit separate IV&V reports for each individual project every quarter.

d.   **Completed** - The agency shall provide the detailed project plan and Work Breakdown Structure after the initial assessment is performed and attend the June 2024 ITAC meeting to update the committee.

e.   The agency shall work with ADOA-ASET EIC to establish a plan on how to exit the Enterprise platform (Mainframe) and to provide the plan to ITAC committee in June 2025 ITAC meeting. In addition, the agency to validate with ADOA ASET EIC for resource allocation to support the development activities and legacy system decommissioning efforts.

ITAC Voting Options

What ITAC May Consider In Review Whether:

a. The proposed solution addresses the stated problem or situation;

b. The budget unit is competent to carry out the project successfully;

c. Sufficient sponsorship and support by budget unit leadership exists;

d. Cost estimates provided are accurate;

e. The proposed project aligns with the budget unit's Strategic IT Plan; and

f. The proposed solution complies with statewide IT standards.

ITAC Motions:

a. Move to Approve

b. Move to Approve with Conditions As Presented

c. Move to Approve with Conditions

    i. Committee May Modify or

    ii. Add Conditions

d. Move To Deny

Relevant Statutes and Rules

Per A.R.S. § 18-101 - Per Administrative Code R2-18-101