

# Project Investment Justification

DDD HIPAA TCS

**DE20018**

Department of Economic Security

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## 1. GENERAL INFORMATION

**PIJ ID:** DE20018

**PIJ Name:** DDD HIPAA TCS

**Account:** Department of Economic Security

**Business Unit Requesting:** Department of Economic Security (DES)/ Division of Developmental Disabilities (DDD)

**Sponsor:** Laura Reith

**Sponsor Title:** IT Administrator

**Sponsor Email:** lreith@azdes.gov

**Sponsor Phone:** (602) 771-1469

## 2. MEETING PRE-WORK

2.1 What is the operational issue or business need that the Agency is trying to solve? (i.e....current process is manual, which increases resource time/costs to the State/Agency, and leads to errors...):

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AHCCCS determined that the Division of Economic Security/Division of Developmental Disabilities (DES/DDD) was in violation of its Contract regarding Claims Payment/Health Information System. AHCCCS issued a Notice to Cure in response to DES/DDD's failure to utilize the Health Care Procedure Coding System (HCPCS) and standard claim forms (the Centers for Medicare and Medicaid Services (CMS) 1500 and UB 04 forms), for reimbursing DES/DDD subcontracted providers consistent with federal and state requirements.

Division of Developmental Disabilities (DDD) receives Medicaid funding through a contract with the Arizona Cost Containment System (AHCCCS) to provide services to citizens determined eligible for DDD services. DDD contracts with community partners/vendors to deliver the necessary services to DDD members. DDD provides these vendors with authorizations to provide the services determined necessary for the member. Authorizations are specific to member, vendor, service, dates of service, and amount/unit of service to be provided. Once an authorization is received the vendor provides the service and then bills for the service rendered via claim submitted to DDD on a nonstandard, proprietary claim form using nonstandard codes representing the service provided. The claims are received by DDD and processed through edits to determine whether the claim is valid and should be paid. One of these edits is whether there is an authorization for this service.

AHCCCS routinely audits DDD to ensure compliance with the contract. During the review last year it was found that DDD continued to be out of compliance with the claims processing portion of the contract.

After receiving this notice to cure a consultant, Berry Dunn, was hired to assist DDD to determine how DDD could meet contract requirement with AHCCCS in the shortest time possible and allow for future incremental implementation of long term payment and claim processing improvements. Berry Dunn created an IT road-map to come into immediate compliance and mapped out possible future phases.

The PIJ request is to purchase software that will allow DDD to resolve their notice to cure (a notice to come into compliance with our contractual obligations) with AHCCCS and fulfill requirements. This project includes a portal for vendors to submit claims in the federally standardized format. This will need to integrate with DDD's existing claims and payment systems, which are Focus and QNXT. The payment software must meet DDD's defined needs including National Correct Coding Initiative (NCCI) edits.

The software has additional capabilities to complete the payment process should the division chose to utilize them in the future.

2.2 How will solving this issue or addressing this need benefit the State or the Agency?

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The software will bring DDD into compliance with AHCCCS's contract and Federal rules. This will bring DDD into immediate, minimum requirements relating to claims. DDD will have the option to add functionality that will use the selected vendor software for processing payments, further bringing DDD into contractual compliance and automate some manual processes. DDD will be trained how to configure the system so modifications to software can be made in-house. The vendor supplies comprehensive support and is available to support DDD going forward.

2.3 Describe the proposed solution to this business need.

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DDD will send authorizations to WellSky using the proprietary service codes. WellSky will have a translation of these codes to standard codes to share with the community partners/vendors that will be submitting claims. The community partners/vendors providing the services to the DDD members will be required to submit their claims to WellSky utilizing standard medical billing forms and standardized service codes. WellSky will complete initial validation edits and submit these claims to DDD using DDD proprietary codes in addition to the standard code submitted by the community partner/vendor. This will allow the information to be contained in DDD's current system which has 25 other interlinked applications and will allow encounters to continue to be created and sent to AHCCCS as required. Encounters are a record of an adjudicated claim for a healthcare related service rendered by a provider registered with AHCCCS and a member enrolled with AHCCCS.

DDD needs to receive medical claims in the national standardized format as required by the Notice to Cure for HIPAA Transaction Code Set (TCS) which includes the National Correct Coding Initiative (NCCI). The software will receive authorizations from DDD's existing system, translate the proprietary codes into the standardized codes, then send the claims and translations back to DDD's system.

Business requirements are part of the attached Task Order. The Project Plan is part of the vendor's questionnaire.

A Task Order was sent out and only one vendor responded, WellSky. WellSky was selected because they can meet the requirements of the bid including the use of the National Correct Coding Initiative (NCCI) and items in the task order.

The contractor's (Berry Dunn) work included the research of nine prominent vendors that they believed could meet DDD's needs. Only four vendors met all of the requirements. Two of the four included Trizetto and WellSky who both indicated they were interested in responding to the DDD solicitation. After reviewing the solicitation only one vendor responded, WellSky.

WellSky was one of the four vendors who met all requirements as stated above. Furthermore, the dollar amount of this procurement aligns well with the cost range estimates that the Contractor provided to DDD (\$1.5m to \$10m).

The vendor quote is for the full software solution which is purchased as a full system. The advantage to purchasing this software with the initial goal of adding the HIPAA-compliant transaction codes is that DDD can later configure additional functionality to include:

Authorization

Billing

Payment

Reports

The above functionality can be configured by DDD. The SaaS maintenance also includes assistance for utilizing these functions.

While the quote uses the terminology of Phase 1 and Phase 2. The PIJ is for purchasing the software solution and implementing the National Correct Coding Initiative (NCCI) edits and utilization of national standard claims forms. This is what is called Phase 1. When the vendor references Phase 2, it is the option for DDD, at a later date, to decide to configure additional functionality at no extra cost. DDD is currently focusing on the meeting the Notice to Cure. After the PIJ is complete, with the HIPAA NCCI implemented, DDD may revisit what functionality would be beneficial to DDD. Phase 2 is not part of this PIJ.

2.4 Has the existing technology environment, into which the proposed solution will be implemented, been documented?

Yes

2.4a Please describe the existing technology environment into which the proposed solution will be implemented.

2.5 Have the business requirements been gathered, along with any technology requirements that have been identified?

Yes

2.5a Please explain below why the requirements are not available.

### **3. PRE-PIJ/ASSESSMENT**

3.1 Are you submitting this as a Pre-PIJ in order to issue a Request for Proposal (RFP) to evaluate options and select a solution that meets the project requirements?

No

3.1a Is the final Statement of Work (SOW) for the RFP available for review?

3.2 Will you be completing an assessment/Pilot/RFP phase, i.e. an evaluation by a vendor, 3rd party or your agency, of the current state, needs, & desired future state, in order to determine the cost, effort, approach and/or feasibility of a project?

No

3.2a Describe the reason for completing the assessment/pilot/RFP and the expected deliverables.

3.2b Provide the estimated cost, if any, to conduct the assessment phase and/or Pilot and/or RFP/solicitation process.

3.2e Based on research to date, provide a high-level cost estimate to implement the final solution.

### **4. PROJECT**

4.1 Does your agency have a formal project methodology in place?

Yes

4.2 Describe the high level makeup and roles/responsibilities of the Agency, Vendor(s) and other third parties (i.e. agency will do...vendor will do...third party will do).

The vendor will be configuring the software for DDD. DDD and the vendor will work together for data migration. DDD and the vendor will have responsibility to create the required integrations, likely through API's for data exchanges. The vendor will create the training materials and train the trainer. DDD will be responsible for on-going training.

4.3 Will a PM be assigned to manage the project, regardless of whether internal or vendor provided?

Yes

4.3a If the PM is credentialed, e.g., PMP, CPM, State certification etc., please provide certification information.

4.4 Is the proposed procurement the result of an RFP solicitation process?

No

4.5 Is this project referenced in your agency's Strategic IT Plan?

Yes

## 5. SCHEDULE

5.1 Is a project plan available that reflects the estimated Start Date and End Date of the project, and the supporting Milestones of the project?

Yes

5.2 Provide an estimated start and finish date for implementing the proposed solution.

Est. Implementation Start Date

Est. Implementation End Date

5/21/2020 12:00:00 AM

7/31/2021 12:00:00 AM

5.3 How were the start and end dates determined?

Based on project plan

5.3a List the expected high level project tasks/milestones of the project, e.g., acquire new web server, develop software interfaces, deploy new application, production go live, and estimate start/finish dates for each, if known.

Milestone / Task	Estimated Start Date	Estimated Finish Date
Sign contract and obtain PO.	05/21/20	06/18/20
Design/ Integration	06/18/20	02/28/21
Configuration/ Data Conversion	08/20/20	02/06/21
WellSky Testing	09/01/20	04/02/21
Training (Materials, State Staff, Provider Staff)	01/18/21	07/31/21

User Acceptance Testing	03/25/21	05/14/21
Post Implementation	05/23/21	07/31/21
Production Deployment	05/23/21	05/24/21

5.4 Have steps needed to roll-out to all impacted parties been incorporated, e.g. communications, planned outages, deployment plan?

Yes

5.5 Will any physical infrastructure improvements be required prior to the implementation of the proposed solution. e.g., building reconstruction, cabling, etc.?

No

5.5a Does the PIJ include the facilities costs associated with construction?

5.5b Does the project plan reflect the timeline associated with completing the construction?

## 6. IMPACT

6.1 Are there any known resource availability conflicts that could impact the project?

No

6.1a Have the identified conflicts been taken into account in the project plan?

6.2 Does your schedule have dependencies on any other projects or procurements?

No

6.2a Please identify the projects or procurements.

6.3 Will the implementation involve major end user view or functionality changes?

Yes

6.4 Will the proposed solution result in a change to a public-facing application or system?

Yes

## 7. BUDGET

7.1 Is a detailed project budget reflecting all of the up-front/startup costs to implement the project available, e.g, hardware, initial software licenses, training, taxes, P&OS, etc.?

Yes



7.2 Have the ongoing support costs for sustaining the proposed solution over a 5-year lifecycle, once the project is complete, been determined, e.g., ongoing vendor hosting costs, annual maintenance and support not acquired upfront, etc.?

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Yes

7.3 Have all required funding sources for the project and ongoing support costs been identified?

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Yes

7.4 Will the funding for this project expire on a specific date, regardless of project timelines?

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No

7.5 Will the funding allocated for this project include any contingency, in the event of cost over-runs or potential changes in scope?

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No

## 8. TECHNOLOGY

8.1 Please indicate whether a statewide enterprise solution will be used or select the primary reason for not choosing an enterprise solution.

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There is not a statewide enterprise solution available

8.2 Will the technology and all required services be acquired off existing State contract(s)?

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Yes

8.3 Will any software be acquired through the current State value-added reseller contract?

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Yes

8.3a Describe how the software was selected below:

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A Task Order was published and only one vendor responded. The vendor can meet our business requirements.

DDD needs to receive medical claims in the national standardized format as required by the Notice to Cure for HIPAA TCS which includes the National Correct Coding Initiative (NCCI). The software will receive authorizations from DDD's existing system, translate the proprietary codes into the standardized codes, then send the claims and translations back to DDD's system.

Business requirements are part of the attached Task Order. The Project Plan is part of the vendor's questionnaire.

A Task Order was sent out and only one vendor responded, Wellsky. Wellsky was selected because they can meet the requirements of the bid including the use of the National Correct Coding Initiative (NCCI) and items in the task order.

The vendor quote is for the full software solution which is purchased as a full system. The advantage to purchasing this software with the initial goal of adding the HIPAA-compliant transaction codes is that DDD can later configure functionality to include:

Authorization

Billing

Payment

Reports

The above functionality can be configured by DDD. The SaaS maintenance also includes assistance for utilizing these functions.

8.4 Does the project involve technology that is new and/or unfamiliar to your agency, e.g., software tool never used before, virtualized server environment?

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Yes

8.5 Does your agency have experience with the vendor (if known)?

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No

8.6 Does the vendor (if known) have professional experience with similar projects?

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Yes

8.7 Does the project involve any coordination across multiple vendors?

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No

8.8 Does this project require multiple system interfaces, e.g., APIs, data exchange with other external application systems/agencies or other internal systems/divisions?

Yes

8.9 Have any compatibility issues been identified between the proposed solution and the existing environment, e.g., upgrade to server needed before new COTS solution can be installed?

No

8.9a Describe below the issues that were identified and how they have been/will be resolved, or whether an ADOA-ASET representative should contact you.

8.10 Will a migration/conversion step be required, i.e., data extract, transformation and load?

Yes

8.11 Is this replacing an existing solution?

No

8.11a Indicate below when the solution being replaced was originally acquired.

8.11b Describe the planned disposition of the existing technology below, e.g., surplus, retired, used as backup, used for another purpose:

8.12 Describe how the agency determined the quantities reflected in the PIJ, e.g., number of hours of P&OS, disk capacity required, number of licenses, etc. for the proposed solution?

It was based on the vendor's statement of work and a review by business and technical teams in DES.

8.13 Does the proposed solution and associated costs reflect any assumptions regarding projected growth, e.g., more users over time, increases in the amount of data to be stored over 5 years?

Yes

8.14 Does the proposed solution and associated costs include failover and disaster recovery contingencies?

Yes

8.14a Please select why failover and disaster recovery is not included in the proposed solution.

8.15 Will the vendor need to configure the proposed solution for use by your agency?

Yes

8.15a Are the costs associated with that configuration included in the PIJ financials?

Yes

8.16 Will any app dev or customization of the proposed solution be required for the agency to use the project in the current/planned tech environment, e.g. a COTS app that will req custom programming, an agency app that will be entirely custom developed?

Yes

8.16a Will the customizations inhibit the ability to implement regular product updates, or to move to future versions?

No

8.16b Describe who will be customizing the solution below:

The vendor will be configuring the software for DDD. DDD and the vendor will work together for data migration. DDD and the vendor will have responsibility to create the required API's for data exchanges. The vendor will create the training materials and train the trainer. DDD will be responsible for on-going training

8.16c Do the resources that will be customizing the application have experience with the technology platform being used, e.g., .NET, Java, Drupal?

Yes

8.16d Please select the application development methodology that will be used:

Agile/Scrum

8.16e Provide an estimate of the amount of customized development required, e.g., 25% for a COTS application, 100% for pure custom development, and describe how that estimate was determined below:

The vendor will have 80% effort to complete all the customization in the software and integrations, likely API. DDD will have 20% effort for developing API and data migration.

8.16f Are any/all Professional & Outside Services costs associated with the customized development included in the PIJ financials?

Yes

8.17 Have you determined that this project is in compliance with all applicable statutes, regulations, policies, standards & procedures, incl. those for network, security, platform, software/application &/or data/info found at [aset.az.gov/resources/psp](http://aset.az.gov/resources/psp)?

Yes

8.17a Describe below the compliance issues that were identified and how they have been/will be resolved, or whether an ADOA-ASET representative should contact you:

8.18 Are there other high risk project issues that have not been identified as part of this PIJ?

No

8.18a Please explain all unidentified high risk project issues below:

## 9. SECURITY

9.1 Will the proposed solution be vendor-hosted?

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Yes

9.1a Please select from the following vendor-hosted options:

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Commercial data center environment, e.g AWS, Azure

9.1b Describe the rationale for selecting the vendor-hosted option below:

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The vendor has a cloud-hosted Fedramp certified location which is not Gov Cloud.

9.1c Has the agency been able to confirm the long-term viability of the vendor hosted environment?

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Yes

9.1d Has the agency addressed contract termination contingencies, e.g., solution ownership, data ownership, application portability, migration plans upon contract/support termination?

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Yes

9.1e Has a Conceptual Design/Network Diagram been provided and reviewed by ASET-SPR?

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Yes

9.1f Has the spreadsheet located at <https://aset.az.gov/arizona-baseline-security-controls-excel> already been completed by the vendor and approved by ASET-SPR?

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Yes

9.2 Will the proposed solution be hosted on-premise in a state agency?

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No

9.2a Where will the on-premise solution be located:

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9.2b Were vendor-hosted options available and reviewed?

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9.2c Describe the rationale for selecting an on-premise option below:

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9.2d Will any data be transmitted into or out of the agency's on-premise environment or the State Data Center?

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9.3 Will any PII, PHI, CGIS, or other Protected Information as defined in the 8110 Statewide Data Classification Policy be transmitted, stored, or processed with this project?

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Yes

9.3a Describe below what security infrastructure/controls are/will be put in place to safeguard this data:

- How the data is encrypted? Is it encrypted in transit as well as “at rest”? – Data will be encrypted while in transit and at Rest.
- Where is the data actually hosted? Is the Data Center located within U.S. boundaries? Are the data and any data backups stored within the U.S.? Yes

Primary Production Data Center is the MS Azure Arizona Region, Disaster Recovery will utilize the MS Azure Kansas Region. Both are FedRAMP Authorized environments.

## 10. AREAS OF IMPACT

Application Systems

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Internal Use Web Application

Database Systems

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Database Consolidation/Migration/Extract Transform and Load Data

Software

---

COTS Application Customization;COTS Application Acquisition

Hardware

---

Hosted Solution (Cloud Implementation)

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Microsoft Azure

Security

---

Telecommunications

---

Enterprise Solutions

---

Contract Services/Procurements

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## 11. FINANCIALS

Description	PIJ Category	Cost Type	Fiscal Year Spend	Quantity	Unit Cost	Extended Cost	Tax Rate	Tax	Total Cost
Planning	Professional & Outside Services	Development	1	1191	\$110	\$131,201	0.00 %	\$0	\$131,201
Design	Professional & Outside Services	Development	1	4605	\$110	\$507,287	0.00 %	\$0	\$507,287
Conversion & Testing	Professional & Outside Services	Development	1	3970	\$110	\$437,335	0.00 %	\$0	\$437,335
Deployment	Professional & Outside Services	Development	1	3097	\$110	\$341,166	0.00 %	\$0	\$341,166
Acceptance	Professional & Outside Services	Development	1	1747	\$110	\$192,450	0.00 %	\$0	\$192,450
Post-Implementation Requirements	Professional & Outside Services	Development	1	1270	\$110	\$139,903	0.00 %	\$0	\$139,903
Hosting, License, Maintenance Fees Year 1	License & Maintenance Fees	Development	1	1	\$13,200	\$13,200	860.00 %	\$1,135	\$14,335
Hosting, License, Maintenance Fees Year 2	License & Maintenance Fees	Operational	2	1	\$872,062	\$872,062	860.00 %	\$74,997	\$947,059
Hosting, License, Maintenance Fees Year 3	License & Maintenance Fees	Operational	3	1	\$857,798	\$857,798	860.00 %	\$73,771	\$931,569
Hosting, License, Maintenance Fees Year 4	License & Maintenance Fees	Operational	4	1	\$749,874	\$749,874	860.00 %	\$64,489	\$814,364
Hosting, License, Maintenance Fees Year 5	License & Maintenance Fees	Operational	5	1	\$752,013	\$752,013	860.00 %	\$64,673	\$816,686

Base Budget (Available)	Base Budget (To Be Req)	Base Budget % of Project
\$159,783	\$0	3%
APF (Available)	APF (To Be Req)	APF % of Project
\$0	\$0	0%
Other Appropriated (Available)	Other Appropriated (To Be Req)	Other Appropriated % of Project
\$4,746,019	\$0	90%
Federal (Available)	Federal (To Be Req)	Federal % of Project

\$0	\$0	0%
<b>Other Non-Appropriated (Available)</b>	<b>Other Non-Appropriated (To Be Req)</b>	<b>Other Non-Appropriated % of Project</b>
\$367,553	\$0	7%

<b>Total Budget Available</b>	<b>Total Development Cost</b>
\$5,273,354	\$1,763,676
<b>Total Budget To Be Req</b>	<b>Total Operational Cost</b>
\$0	\$3,509,678
<b>Total Budget</b>	<b>Total Cost</b>
\$5,273,354	\$5,273,354

## 12. PROJECT SUCCESS

Please specify what performance indicator(s) will be referenced in determining the success of the proposed project (e.g. increased productivity, improved customer service, etc.)? (A minimum of one performance indicator must be specified)

Please provide the performance objective as a quantifiable metric for each performance indicator specified.

**Note:** The performance objective should provide the current performance level, the performance goal, and the time period within which that performance goal is intended to be achieved. You should have an auditable means to measure and take corrective action to address any deviations.

**Example:** Within 6 months of project completion, the agency would hope to increase "Neighborhood Beautification" program registration by 20% (3,986 registrants) from the current registration count of 19,930 active participants.

Performance Indicators

Response: DDD will be in compliance with AHCCCS, resolving the contract notice to cure related to claims.

## 13. CONDITIONS

Conditions for Approval

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.

## 14. OVERSIGHT SUMMARY

Project Background

The mission of the Department of Economic Security (DES) is to make Arizona stronger by helping Arizonans reach their potential through temporary assistance for those in need, and care for the vulnerable. The DES Division of Developmental Disabilities (DDD) provides services and support to eligible individuals in order to empower Arizonans with developmental disabilities to lead self-directed, healthy and meaningful lives. The division receives Medicaid funding through a contract with the Arizona Cost Containment System (AHCCCS) to provide services to citizens that are determined eligible for DDD services. DES contracts with community partners, or vendors, to deliver the necessary services to DDD members. As part of this process, the DDD provides the vendors with authorizations to provide services. When authorization is received, the vendor provides the service, then bills for the service via a claim submitted to the DDD on a nonstandard, proprietary claim form and using nonstandard codes that represent the service provided. The claims are then processed by the DDD to determine whether the claim is valid.



AHCCCS routinely audits the DDD to ensure they are in compliance with this contract, and last year it was determined that they were out of compliance with the claims processing portion of the contract. As a result, AHCCCS issued a Notice to Cure in response to their failure to utilize the HCPCS (Health Care Procedure Coding System) and CMS (Centers or Medicare and Medicaid Services) standard claim forms for the reimbursement of subcontracted providers, consistent with federal and state requirements.

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#### Business Justification

With this project, DES will purchase and implement a new software solution that will allow them to resolve the notice to cure and enter into compliance with the AHCCCS contract and federal rules. This project will include the implementation of a new portal for vendors to submit claims in the federally standardized format. The software will receive authorizations from DDD's existing system, translate the proprietary codes into the standardized codes, then send the claims and translations back to DDD's system. The primary objective of implementing this solution is to resolve the contract notice to cure. However, the solution being acquired also offers additional functionality that is outside of the scope of this project, but can be utilized in the future with no additional cost, if it is determined that doing so could help to further streamline and enhance their process.

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#### Implementation Plan

The solution will be vendor hosted in Microsoft Azure.

The agency and vendor roles planned to be involved in this project include the following:

- The vendor will be configuring the software for the agency
- The agency and the vendor will work together on the data migration and API development.
- The vendor will create the training materials and train the trainer.
- The agency will be responsible for the on-going training.

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#### Vendor Selection

After receiving the notice to cure a consultant, Berry Dunn, was hired to assist DES and the DDD in determining how to they could meet the contract requirement with AHCCCS in the shortest amount of time. The contractor's work also included the research of nine prominent vendors believed to be able to meet the needs of the DDD for this project. Four out of the nine vendors met all of the requirements. Wellsky was one of those four and after a task order was sent out, Wellsky was also the only vendor that responded to the solicitation.

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#### Budget or Funding Considerations

This project will be funded using 3% Base Budget funds, 7% Other Non-Appropriated funds and 90% Other Appropriated funds.

## 15. PIJ REVIEW CHECKLIST

Agency Project Sponsor

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Laura Reith

Agency CIO (or Designee)

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Paula Mattingly

Agency ISO (or designee)

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Todd Luther

OSPB Representative

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ASET Engagement Manager

Sody Saed

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ASET SPR Representative

Thomas Considine

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Agency SPO Representative

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Agency CFO

Patrick Hays

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