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Hal Cohen, Secretary

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Dear Lt. Gov. Scott,

I am responding to your October 1 letter to the Governor. We appreciate your interest in this matter, so I want to clarify a few areas of concern that you raised in your letter.

I appreciate that you understand the value replacing our existing system (ACCESS) will bring to Vermonters. ACCESS served the state well for many years. However, it is an extremely old and obsolete system that can cause a storm of problems. It negatively impacts the efficiency of our workforce and, because the system is out of compliance with federal requirements, we are subject to potential audit findings and possible federal disallowances. We are not able to meet Vermonters' needs as best we can, nor can we offer them all the programs for which they may be eligible, given the limitations of ACCESS. Clearly, this critical system needs to be replaced with a 21st century solution. Fortunately, there are robust federal incentives that will cover 90 percent of the cost of developing a new eligibility system. These federal incentives are time-limited, and the steps needed to make this happen are now underway.

In your letter, you expressed concern about the outsourcing of work covered under the IE contract. We also share that concern, which is why we wrote in the Request for Proposal (RFP) for this project that offshore staff will not be allowed. Further, under the RFP issued, no key personnel can be added or removed without Agency of Human Services (AHS) approval, and key personnel must be onsite in Vermont for at least 75 percent of the time spent on this project.

As we move toward the execution of an IE vendor contract, our contracting process is supported by several safeguards, some of which are mandated by state and federal requirements. As required by 3 V.S.A. § 2222, for example, DII is to engage their own vendor to conduct an Independent Review of our IE vendor selection prior to contract execution. The IE vendor contract must then be reviewed and approved by DII and the Centers for Medicare & Medicaid Services (CMS) before it can be executed. This review of the contract by DII and CMS is an essential part of the procurement process that will help position this project for success from its earliest stages.

Once the contract is executed, CMS requires AHS to have an Independent Verification and Validation (IV&V) vendor onboard during the entire Design, Development & Implementation (DDI) period. The IV&V vendor works to ensure that the Agency facilitates early detection and correction of cost and schedule variances; enhances management insight into processes and risks; supports processes to ensure compliance with regulatory, performance, schedule and budget requirements; and validates that the solution and processes involved comply with defined requirements.

All the work done so far pertaining to the selection and contracting of an IE vendor has been guided by the state's revised procurement process. How we issued the RFP, how we reviewed those proposals, and how we identified the most competitive qualified vendor – important steps that serve as the foundation to a successful project – have adhered to state procurement requirements.

Like you, we appreciate the magnitude of this undertaking and its importance to the state of Vermont. That is why, in addition to adhering to the state's procurement process, we also applied the lessons learned from Vermont Health Connect (VHC) to our planning for the IE project. Our past experience with VHC informed much of what I have detailed here, including the information contained in the RFP and how we reviewed proposals. That review included initial screenings, oral presentations, and a systematic review of every element in the submitted proposals. Among the areas we examined were each vendor's past relevant experience and references; key project personnel experience and references; and cost estimates for initial implementation and ongoing operations. That careful review helped facilitate the selection of the most competitive qualified vendor for this important work.

Regarding VHC, earlier this month we completed work that will support next month's open enrollment. That work went very well, and we anticipate a smooth open enrollment for VHC participants. With VHC operational and much progress having been made, moving to the federal exchange would not be in the best interest of the state. The financial implications alone support the continued use of VHC for the state's exchange. Preliminary results of a study conducted by the Office of Health Care Reform show that the cost of transitioning to the federal exchange would be \$24.5 million gross. Vermont taxpayers would be responsible for an estimated \$11.0 million of those one-time transition costs. Further, the approximate cost to Vermont taxpayers of operating within the federal exchange would represent \$5 million per year in additional state funds.

I hope I have been able to address your concerns with the IE project. When this work is done and our new IE system is up and running, I am confident that you will see a marked and immediate difference in the scope of – and ease of access to – the important services that our Agency provides Vermonters.

Sincerely,



Hal Cohen

Secretary, Agency of Human Services