

**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: 5/14/15
4. Prepared By: Tim Peterson

B. Project Status

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

DPHHS rates the overall project health as "Red". Xerox continues to experience challenges executing the design sessions. Xerox is experiencing schedule management issues resulting in missed deliverables. On November 26, 2014, DPHHS issued a notice of required corrective action to Xerox that identified seven performance categories that require improvement. On February 10, 2015, DPHHS approved the Xerox Corrective Action Plan (CAP) to improve the seven categories. CAP + 30 days items: A. Documentation, F. Project Management Metrics Portal, G. Project Staffing all due March 12; CAP + 60 days items: B. Design Session Preparation, C. Design Session Execution, E. Project Schedule Management all due April 11, 2015; and CAP + 90 days item: D. Deliverable Quality due May 11, 2015.

DPHHS began evaluating the CAP + 30 measures on March 13, 2015. Xerox failed to deliver the Health Enterprise Platform documentation to DPHHS on March 13, 2015, as required by CAP Item A, due to corruption issues related to the documentation environment. The documentation was not available for DPHHS review; therefore, DPHHS issued a Notice of Material Breach to Xerox on CAP Item A on March 18, 2015. Xerox made the documentation available to DPHHS for review on March 24, 2015. DPHHS conducted a review of a 10% sample of the documentation. Based on deficiencies discovered in that review, DPHHS notified Xerox on April 8, 2015 that the March 24, 2015 documentation delivery had not cured the material breach. Xerox delivered the updated Health Enterprise Platform Documentation and Health Enterprise Platform Environment 90 on April 17, 2015. DPHHS began their second audit of Xerox platform documentation for evaluation of CAP Item A on April 20, 2015. DPHHS expects to complete this review by June 5, 2015. The results of this audit review will determine if Xerox has successfully cured the Material Breach related to CAP Item A. Preliminary review indicates that both CAP Items F and G are acceptable.

DPHHS began evaluating the CAP + 60 measures on April 13, 2015. On May 13, 2015, DPHHS completed the review of CAP items B, C, and E and determined that Xerox had failed to successfully deliver each CAP Item. On May 15, 2015, DPHHS issued an additional Notice of Material Breach to Xerox for CAP Item B, CAP Item C, and CAP item E. Starting on May 12, 2015, DPHHS is evaluating the CAP + 90 measures. As of the submission date of this report, Xerox has

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not submitted new deliverables or interim deliverables for DPHHS review. Once Xerox submits a new deliverable, DPHHS will review the deliverable quality to determine if Xerox has satisfied their corrective action plan.

The current Schedule Performance Index (SPI) is .555 and there are 3,889 project work plan tasks that have missed their baseline finish date. Since July 18, 2014, only 9% of the interim deliverables and deliverables (deliverables) have been completed, 79% of the deliverables are past due, 4% are currently under review by DPHHS, 7% have been returned to Xerox with comments, and 1% have been rejected. Of deliverables scheduled for delivery over the next 90 days, 61% are projected by Xerox to be late.

Xerox has not been paid any money related to the contract payment milestones for the MMIS DDI project. The first payment milestone scheduled for November 16, 2015 is the Benefit Plan Administration Iteration Acceptance Payment Milestone.

DPHHS expects the overall project status to remain “Red” for an extended period of time. This status is not expected to change until Xerox successfully executes the approved corrective action plan resulting in a reduction of past due deliverables and slipped tasks and a dramatic improvement in the SPI. 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 “Red” in the most recent monthly independent status report dated May 14, 2015. Xerox is also currently reporting the project status as “Red”. Xerox's SPI calculation signals that the May 30, 2017 full system implementation date is in jeopardy.

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

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

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E. Additional Comments

DPHHS internal project reporting rates the Scope as “Yellow”. At this time, DPHHS does not believe that there are any significant scope issues affecting the project. There are currently 28 out-of-scope gaps. There are 353 past due action items that could result in gaps that are determined by Xerox to be out-of-scope. DPHHS will continue to rate scope as “yellow” until the number of past due action items drops below 50.

DPHHS internal project reporting rates the Schedule as “Red”. Xerox is experiencing numerous project execution issues that are affecting their execution of the approved re-planned project work plan. The primary issue is that Xerox continues to struggle to execute effective design sessions. This has resulted in missed interim deliverables and deliverables. Since July 18, 2014, only 9% of the interim deliverables and deliverables (deliverables) have been completed, 79% of the deliverables are past due, 4% are currently under review by DPHHS, 7% have been returned to Xerox with comments, and 1% have been rejected. Of deliverables scheduled for delivery over the next 90 days, 61% (81/134) are projected to be late. The latest Xerox calculated Schedule Performance Index (SPI) is currently .555 (SPI that is less than .940 is “Red”). The current SPI is consistent with the design session challenges observed by DPHHS, the 3,889 slipped project tasks, and the 154 past due deliverables and interim deliverables. Xerox’s SPI calculation signals that the May 30, 2017 full system implementation date is in jeopardy.

DPHHS rates the Budget as “Green” 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 Risk as “Yellow”. There are two project risks with a Risk Rank of six or less. Both of these risks have a risk mitigation plan. Xerox will need to add a contingency plan for each of these risks. The remaining project risk has a risk rank of 8 and has the required risk mitigation plan. DPHHS has reviewed these risk mitigation plans and has provided feedback to Xerox to improve the approach to managing these risks.