A-87 Exception Toolkit for Human Service Agencies

Description of the Exception and Recommendations for Action

A White Paper by APHSA’s National Workgroup on Integration’s Finance Subcommittee
EXECUTIVE SUMMARY

OMB’s A-87 Cost Allocation Exception allows state human service programs to benefit from a wide range of information technology services and components, from enterprise service busses and master client indexes to client portals and workflow management tools, together with Medicaid at significantly lower cost between now and the end of 2015. Even though the incremental cost of adding component functionality that does not benefit Medicaid must be paid by the non-Medicaid program, the result can be millions of dollars in savings to state budgets. This funding opportunity is available whether or not a state has expanded its Medicaid population under the Affordable Care Act (ACA) or developed a state-based Marketplace.

But states must act now if they are to achieve these savings.

Because state priorities have focused almost exclusively on reading their Medicaid programs for the eligibility and enrollment requirements under the ACA, human service agencies face major challenges in taking advantage of this opportunity at this late of a date. The key question is: What steps should states take now to make certain they lock in those savings before the Exception expires in less than two years?

In the pages that follow, we provide background information on what the A-87 Exception is, the constraints that need to be kept in mind when making use of it, and the critical activities that human service agencies should undertake to leverage this once-in-a-lifetime opportunity to meet their enterprise-wide goals of improving program performance and achieving meaningful outcomes.

While this paper focuses on the financial advantages of the A-87 Exception, the most significant value of the Exception is the opportunity it provides state human service programs to improve their programs’ impact and effectiveness with the help of technology.

Acknowledgments

This guidance is a product of the Finance Subcommittee of APHSA’s National Workgroup on Integration. The Subcommittee members wish to express their sincere appreciation to those in state government and the industry who also took the time to read various drafts and contributed their ideas for improving the final product. While without everyone’s assistance, this paper would not have been able to achieve the clarity, timeliness, and relevancy that we hope it provides, the observations, recommendations, and conclusions contained within remain the sole responsibility of the American Public Human Services Association (APHSA).

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I. What is the OMB A-87 Cost Allocation Exception?

On August 10, 2011, the three federal agencies responsible for providing financial support for health and human service state-based eligibility and enrollment information technology systems—the U.S. Dept. of Health and Human Services’ Centers for Medicare and Medicaid Services (CMS), the Administration for Children and Families (ACF), and the U.S. Dept. of Agriculture’s Food and Nutrition Service (FNS)—announced a new approach for allocating the cost of building such systems in a Tri-Agency Letter focused on integration and interoperability.

For many years, the cost of building such information technology (IT) systems that were shared by multiple programs was allocated among the benefitting programs in direct proportion to their use, as outlined in the federal Office of Management and Budget’s (OMB) Circular A-87 guidance.\(^1\) Beginning in 2012, an exception to this approach was approved by the White House to help states pay for the much-needed modernization of their Medicaid eligibility determination and enrollment systems (E&E) due to the requirements of the Affordable Care Act (ACA). Known as the “A-87 Cost Allocation Exception,” the new, time-limited policy (scheduled to expire at the end of 2015) allows human service programs to share a wide range of IT components needed by Medicaid, but that can also be used by human services programs at little or no additional cost except for interfaces or other services uniquely required by those programs.

Although the impetus behind the Exception was the ACA, it is not limited to those states that have expanded their Medicaid population or developed state-based health insurance marketplaces. As a result, all states have the opportunity to modernize their health and human service eligibility and enrollment systems.

The range of IT business processes and components eligible for the Exception is quite extensive, as shown in the accompanying chart. The Tri-Agency letter of January 23, 2012, that more fully articulated the new policy, also states that other activities beyond those explicitly mentioned in their guidance may be eligible for the Exception.\(^2\)

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What Were the Drivers Behind Creation of the A-87 Exception?

Beginning in 2014, all states are required to implement the ACA’s requirements to simplify the processes by which people are determined eligible for Medicaid. Among the new requirements that are particularly relevant for human service agencies, the following are highlighted because of the potential opportunities for interagency alignment and cooperation.3

- Beginning in 2014, Medicaid eligibility categories have been simplified for most enrollees based on Modified Adjusted Gross Income (MAGI), as defined by the Internal Revenue Code.
- The use of a single, streamlined Medicaid application for MAGI-eligible applicants that can be submitted online, by telephone, in-person, and by mail is required as of October 1, 2013. States are also required to provide assistance with the application on-line, in person, and by phone.
- The enrollment process itself has been streamlined. Beginning in 2014, states can no longer require an in-person interview as part of the Medicaid application or renewal process.
- States must rely on electronic data matches to the greatest extent possible to verify Medicaid eligibility. They can only fall back to requesting paper when they are unable to perform verification electronically.
- If sufficient data exist to determine continued eligibility, the state will renew coverage without requiring further action from the individual.
- States can no longer require Medicaid eligibility to be renewed more frequently than once every 12 months. This is to be accomplished by evaluating information already available within the individual’s account and from other reliable data sources. If sufficient data exist to determine continued eligibility, the state will renew coverage without requiring further action from the individual. If not, the state must provide the individual with a pre-populated form containing data available to the agency.

While these are only some of the Medicaid eligibility and enrollment requirements under the ACA, it is clear that many states are in the midst of upgrading their technology platforms to meet these new standards.

More importantly, data already in human service files can be of great value to Medicaid programs. By working together on shared IT systems, the pathways to enable Medicaid to enhance its operating efficiencies through collaborative initiatives with human service programs will benefit the new and existing clients who make use of multiple programs and are known to different parts of the health and human service enterprise. Additionally, some Medicaid data may also be helpful to verify human service eligibility and enrollment.

By using the technologies available under the Exception, the resulting enterprise approach can enable front-line staff and case workers to have a holistic view of their clients and, together with Medicaid, bend the cost curve of the social determinants of health in a manner consistent with APHSA’s Pathways strategic vision.4

Are There Limitations Associated with the A-87 Exception?

There are several important points to keep in mind:

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4 http://www.aphsa.org/content/APHSA/en/pathways.html

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1. The Exception was not written to provide 90 percent match for human services (or other non-Medicaid) programs. Rather, it provides for human service programs to benefit from shared system components that are paid for by Medicaid at the 90 percent rate. Thus, the E&E services must benefit Medicaid in addition to the human service agencies.

2. The Exception only applies to the development of the systems and their upgrades, not to their maintenance and operation. Once the system is implemented, maintenance and operating costs revert back to the pre-A-87 Exception basis of allocating all costs going forward in proportion to their use by each agency sharing the system.

3. The development of Medicaid Eligibility & Enrollment systems, and, therefore, the systems or parts of those systems that could also be used by human service agencies under the Exception, must comply with CMS' Seven Conditions and Standards. These conditions and standards ensure that states maintain a holistic view of their clients who benefit from multiple programs through an enterprise-wide, horizontally integrated, IT architecture, the basic tenets of which include:
   a. Available in modules
   b. Using industry standards
   c. Using shared or leveraged re-using of components
   d. Focused on results
   e. Aligned with the Medicaid IT Architecture (MITA)
   f. Oriented for program evaluation
   g. Interoperable with human service and other programs

4. The services must be built, tested, and fully installed by December 31, 2015. An IT system that was contracted for, even paid for, but not completed by the end of 2015 does not qualify for the Exception.

II. How Much Potential Savings Can Be Achieved with the A-87 Cost Allocation Exception?

How Does the A-87 Cost Allocation Exception Work?

The cost of a shared eligibility determination and enrollment system is based upon two factors: (a) the share of total system costs allocated to each program (as previously described in OMB’s Circular A-87, and, now, under the A-87 Exception), and (b) the applicable federal matching rates for each program set forth in statute or regulation.

Prior to the Exception, because Medicaid enrollees usually accounted for the highest number of enrollees in a health and human service program, the Medicaid program was assigned the largest share (generally in the 40–55%) of a system’s costs. Supplemental Nutritional Assistance Program (SNAP) clients typically accounted for the second largest number of enrollees, resulting in SNAP being allocated the second largest share (generally 30–45%). The various programs supported by the Administration for Children and Families accounted for the remaining share (15–30%) of development costs. While the

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6 CMS' Medicaid IT Architecture (MITA) condition is a service oriented architecture framework that includes a business maturity model for process improvement. MITA enables all state Medicaid enterprises to meet common objectives within the MITA framework while simultaneously supporting local needs unique to any particular state.
allocated program percentages varied from one state’s system to another due to the number of program enrollees making use of the system and differences in project scope, they nearly always fell within the ranges mentioned above under the pre-A-87 Exception methodology.

Once the costs are allocated across the benefitting programs, the applicable federal matching rates are applied to determine the actual amounts to be paid by the federal and state programs. The current development matching rates are 90 percent by CMS and 50 percent for both FNS and ACF 7 (except for the licensing/purchasing and installation costs for commercial-off-the-shelf (COTS) software. They are eligible for 75 percent match from CMS.

Two hypothetical examples are shown on the next page to illustrate the potential financial benefit of the Exception to a state human service agency. The examples are for illustrative purposes only. Actual results may be higher or lower depending upon the extent to which A-87 Exception-eligible components are utilized.

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Example 1: Prior to the A-87 Exception. We have assumed a total development cost of $150 million for this state’s eligibility and enrollment system (such systems typically range between $100M–$450M, with some of the larger systems costing more). Allocated program shares are based on the pre-A-87 Exception ranges discussed previously. Federal and state costs are calculated by a program using the existing federal matching rates.

In this example, using the historical OMB A-87 Cost Allocation methodology prior to the Exception, the state would pay $51M, or one-third of the total system costs for development of its E&E system.

Example 2: With the A-87 Exception. The total project cost assumption of $150M remains the same as in the previous example, as do the federal matching rates of 90, 50, and 50 percent for each of the respective programs. The one difference is that because of the Exception, the SNAP and ACF programs are allocated a smaller share than in the prior example with Medicaid picking up the difference.

In the second example, the assumption was that some residual costs would remain, unique to both SNAP and ACF (12% and 8%, respectively), that would need to be paid for by those programs because the Exception applies only to those business processes and components shared with Medicaid. In this example, the state saves $24 million because it only pays $27 million, rather than $51M, as in the previous example.

Summary

It is important to note that even if the proportion of costs allocated to the Medicaid program increases significantly (from 40% to 80% in the two examples on the next page), the savings to a state can be very large due to the higher CMS matching rate of 90 percent.

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**Example 1**

**BASELINE EXAMPLE:**
**STATE DEVELOPMENT COSTS OF A SHARED ELIGIBILITY AND ENROLLMENT SYSTEM UNDER HISTORICAL OMB A-87 COST ALLOCATION PRINCIPLES**

Assume the cost of a typical integrated eligibility and enrollment system is $150M, and that Medicaid was allocated 40% of total costs, SNAP 35%, and the remaining 25% to ACF human service programs. Also assume the federal match is 90% for Medicaid, 50% for SNAP, and ACF programs.

<table>
<thead>
<tr>
<th>Program</th>
<th>Total Development Costs</th>
<th>% Program Allocation Based on OMB A-87</th>
<th>Costs Assigned to Program Based on Allocated Share</th>
<th>Percentage Matching Rates</th>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicaid</td>
<td>$150M</td>
<td>40%</td>
<td>$60.0M</td>
<td>90% 10%</td>
<td>$54.0M $6.0M</td>
</tr>
<tr>
<td>SNAP</td>
<td>$150M</td>
<td>35%</td>
<td>52.5M</td>
<td>50% 50%</td>
<td>26.3M 26.3M</td>
</tr>
<tr>
<td>ACF/HS</td>
<td>$150M</td>
<td>25%</td>
<td>37.5M</td>
<td>50% 50%</td>
<td>18.7M 18.7M</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$150M</strong></td>
<td><strong>100%</strong></td>
<td><strong>$150.0M</strong></td>
<td></td>
<td><strong>$99.0M $51.0M</strong></td>
</tr>
</tbody>
</table>

Cost to the State: **$51M**

**Example 2**

**POTENTIAL STATE DEVELOPMENT COST SAVINGS DUE TO A-87 EXCEPTION**

Using the same $150M integrated eligibility determination and enrollment system as in Example 1, the development costs allocated to the state’s human services programs are reduced significantly due to the A-87 Exception.

<table>
<thead>
<tr>
<th>Program</th>
<th>Total Development Costs</th>
<th>% Program Allocation Based on OMB A-87</th>
<th>Costs Assigned to Program Based on Allocated Share</th>
<th>Percentage Matching Rates</th>
<th>Costs</th>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Medicaid</td>
<td>$150M</td>
<td>80%</td>
<td>$120.0M</td>
<td>90% 10%</td>
<td>$108.0M $12.0M</td>
</tr>
<tr>
<td>SNAP</td>
<td>$150M</td>
<td>12%</td>
<td>18.0M</td>
<td>50% 50%</td>
<td>9.0M 9.0M</td>
</tr>
<tr>
<td>ACF/HS</td>
<td>$150M</td>
<td>8%</td>
<td>12.0M</td>
<td>50% 50%</td>
<td>6.0M 6.0M</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$150M</strong></td>
<td><strong>100%</strong></td>
<td><strong>$150.0M</strong></td>
<td></td>
<td><strong>$123.0M $27.0M</strong></td>
</tr>
</tbody>
</table>

Cost to the State: **$27M**

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III. Assessing Components and Timeframes for Implementation

When considering how best to take advantage of the A-87 Exception and the possible shared services to implement, think about your shared eligibility and enrollment system the way system engineers do; i.e., as a number of discrete services that, while they work together, can be built under quite different time horizons, depending upon the system’s current architecture and configuration. The information that follows arrays the eligible A-87 Exception components and services into three general categories: those we believe can be brought up fairly quickly (Level 1), those that will require a little longer (Level 2), and those that may stretch beyond the time remaining (Level 3). (Actual results depend upon each state’s reality on the ground.)

Level 1: The Front Door

The first aggregation of business services relates most directly to clients, caseworkers, service providers, state and local agencies, and the general public interfacing with your system. Getting the word out to these audiences on policy and operational matters, being responsive to their queries, and ensuring the most efficient and effective service and administration are the hallmarks of this first level of entry into the system.

What activities, needed by Medicaid but useful to human services, qualify for use of the enhanced 90 percent federal match under the A-87 Exception?

**Document Imaging/Digitization of Case Records**—Paper elimination, or at least dramatic reductions in reliance on paper, is probably the single most important step any state can take to energize staff and provide a clear example of truly rethinking process improvements. The use of electronic imaging to capture, organize, and transmit case records can revolutionize streamlining workflow in human services. With caseworkers operating in the field, often from remote locations, adding this capacity will contribute to a more effective service delivery system for both human service programs and Medicaid/CHIP.

**Client Portals**—Software interfaces, that utilizes a multi-benefit online application through a Web browser and enables people to communicate effectively, is of critical value to human service organization’s today.

**Notices**—Information that can be communicated quickly and effectively through electronic notices - not only about Medicaid/CHIP services, but also about the broad array of human services, public health, and other key services that will ultimately bend the cost curve through accurate and timely eligibility determinations and enrollment - qualify for the enhanced match.

**Customer Services**—Providing system support for customer/client services ensures that potential enrollees get their questions answered quickly. Customer services can also be helpful in taking applications and serving as a back-up to electronic applications in the event of technical difficulties when launching a new system or upgrading an older one. While staffing
costs for customer services are not eligible for CMS’ enhanced 90% match, the equipment they use that ties into the E&E system may be.

**Workflow Management Tools**—Higher levels of workforce performance and improved client outcomes are possible with these tools—from collaboration technologies, mobile solutions, enterprise connectivity, and cloud sourcing that bring together voice, data, and video communication. For example, employees can work from their virtual offices anywhere, any time with many of these tools.

**User Interfaces/Interfaces to Community Assisters and Outreach Organizations**—Connecting potential and existing clients with people who can help them through eligibility and enrollment processes will be invaluable. Medicaid relies on such people and they can also be helpful in supporting improved program integrity, covering both benefit accuracy, timeliness, and efficient information flow.

**While all of these components are useful in making Medicaid eligibility determinations and enrolling clients, they can also be used by human services and other programs to ensure that prospective clients receive the services for which they are eligible. None requires major overhauls of existing E&E systems. By incorporating these components into the existing legacy system architecture, they can all be developed, tested, and installed within the time left to take advantage of the rule.**

**Level 2: Foundational System Components**

Generally speaking, these components are software tools that connect applications in a distributed environment—the most prevalent being an enterprise service bus. These activities are important not only for eligibility determination and client enrollment, but also for handling payments or other transactions to care providers and/or the clients themselves. Depending upon the status of a state’s current IT architecture, we believe most of them can be completed within the time remaining.

Services eligible under the Exception at this level include:

**Automated Account Creation and Case Management**—Having an automated way for the system to create a single account for every uniquely identified client, or having multiple accounts tied together via a single unique identifier, is invaluable in providing services across the enterprise. Case management tools that can, for example, help a worker coordinate care for mentally or physically challenged children—as well as handle the authorization and payment of treatment for these children by other health care providers through state/local funds or as the Medicaid gatekeeper—goes to the heart of horizontal integrated systems.

**Business Rules Engines**—In human services, as with health policy, business rules change more frequently than any other part of the eligibility and enrollment system. Rules engines provide the “pluggable” software instructions to enable users to modify the rules frequently without the need for undertaking costly and, worse, timely major system overhauls. Business rules engines provide the ability to register, define, classify, and manage all the rules, verify consistency of rules definitions, and define the relationships between different rules.

**Enterprise Service Bus**—A component within service-oriented architecture to promote the agile, flexible interaction between different applications within an enterprise is typically referred to as an ESB. As a special type of client server, an ESB supports different communication protocols across the enterprise, multiple message formats, and
facilitates connections between different applications. ESBs shine when it comes to allowing multiple applications to communicate effectively and efficiently, even if they are written with different messaging protocols. In short, applications useful to human services and Medicaid can “talk” to each other clearly with minimum need for translation services, thanks to an ESB.

**Interfaces to State/ Federal Verification Services**—Long before there was an Affordable Care Act, states and local agencies were verifying eligibility from multiple sources, many of which were state-based, e.g., Departments of Motor Vehicles, Revenue, and other administrative offices. With the development of additional federal sources such as Homeland Security, the Internal Revenue Service, and Social Security, opportunities for electronic linkages for verification purposes have expanded significantly. All of these interfaces are potentially eligible for use by Medicaid, and, therefore, of possible use to human services under the Exception.

*The features eligible for the A-87 Exception at Level 2 generally require more time to install and test than those at Level 1 because they are connected to, and interface with, many more moving parts of your enterprise. The speed with which they can be designed, built, and tested will largely depend on the flexibility of your current system’s architecture.*

**Level 3: Heart and Soul of the System**

The components at this level are invaluable for supporting decisions, detecting fraud, and tying applications together. While in some cases these components may take longer to install, timeframes for implementation can vary widely. According to some industry experts with whom we have spoken, some of these components have been brought up within a year in some states depending upon the particular project’s scope.

**Identity Management**—What could be more important than knowing who is who, even if clients use different ways to identify themselves from one program to the next? Having software that readily does this is invaluable to all public programs, and having created it for Medicaid also enables human services to benefit under the Exception, depending upon the extent of unique customization necessary.

**Master Client Index**—Perhaps the MCI’s greatest contribution is its ability to cross-check millions of names having different spellings, nicknames, and formats in incredibly short timeframes and to match them to the same appropriate person. *(Note: The MCI could also be considered a Level 2 Foundational Component, depending on its scope. While the IT may be costly to do, adding additional data sources is not nearly as costly and can be done before or after the Exception expires, depending upon the presence or absence of the underlying IT infrastructure.)*

**Data Warehouse**—As the central repository of data for your enterprise, data warehouses store historical and current program information by integrating data from multiple disparate sources. They are invaluable for analytical purposes including providing reports on historical trends, current operational status, and data needed for predictive analysis.

*Building one of these Level 3 components from scratch in the time remaining could be a challenging, but not impossible, task depending on the complexity of the cross-referencing software and coordination required of the programs involved in supplying and utilizing the data. A simpler and*
A faster approach might be to update an existing data warehouse to ensure that human services can both contribute to, and benefit from, one previously built.

On the other hand, data warehouse projects are not as complex or time-consuming to build as the typical large transactional systems such as the Medicaid Management Information System, Integrated Eligibility Determination System, SACWIS, or those employed for child support. With fewer complexities, it may be feasible to bring up data warehouse projects in the time that remains.

Note: If it appears that we are hedging our bets with regard to the projected implementation timeframes above for the various components, that is because we are. The components are placed in these Levels because of their overall complexity associated with building them, and should be considered as a good starting place for discussion with staff and industry experts. Our primary message remains consistently the same: it is not too late to take advantage of the A-87 Exception BUT time is of the essence. The sooner one starts, the higher the likelihood of successfully taking advantage of it.

Dependencies at all Three Levels

Many of the components described above are dependent upon other parts of the IT architecture. When thinking about which business services and components make the most sense for your organization, please keep these dependencies in mind:

Level 1:

Effective client portals, notices, customer services, and user interfaces are dependent upon the existence of a Business Rules Engine to provide accurate and up-to-date presentation and processing of complex inter-dependent eligibility rules across numerous programs and agencies.

Workflow management tools provide the ability for tasks to be effectively assigned and tracked. When built on top of a document imaging system, they can also provide the ability to assign work on a task rather than worker basis, thereby allowing tasks to be distributed across the entire workforce rather than restricted to a particular work unit or group.

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<thead>
<tr>
<th>Component</th>
<th>Dependency</th>
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<tbody>
<tr>
<td>Client Portals</td>
<td>Business Rules Engine</td>
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<tr>
<td>Notices</td>
<td>Business Rules Engine</td>
</tr>
<tr>
<td>Customer Services</td>
<td>Business Rules Engine</td>
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<tr>
<td>Workflow Management Tools</td>
<td>Document Imaging</td>
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<td>User Interfaces</td>
<td>Business Rules Engine</td>
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Level 2:
Automated account creation and case management are dependent upon having clients correctly identified and de-duplicated across programs and agencies. Hence, identity management is a critically important dependency.

Interfaces to state/federal hubs are subject to strict protocol and programming standards. The enterprise service bus (ESB) is a major component of the mandated service-oriented architecture (SOA) required by the federal guidelines under CMS’ “Seven Conditions and Standards” for enhanced match.

<table>
<thead>
<tr>
<th>Level 2 Dependencies</th>
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<tbody>
<tr>
<td><strong>Component</strong></td>
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<tr>
<td>Account Creation &amp; Case Management</td>
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<tr>
<td>Business Rules Engine</td>
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<tr>
<td>Enterprise Service Bus</td>
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<tr>
<td>Interfaces to State/Federal Verification Services</td>
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Level 3:
An effective Identity Management system is predicated on a system capable of de-duplication and normalization of user identity data across programs and agencies. A standard interoperable data set can be used across all programs/agencies to create a common client identifier, also known as a master client index system.

Overall, the experience of a number of states has shown that a business rules engine and master client index are core components of an E&E system that provide much benefit to multiple other components, which can then be built on top. These are mid- to high-level complexity components that require multi-agency participation, detailed design, and integration, and are on the lengthier cycle in terms of development and deployment. They are, however, “core” elements of any E&E and, if built now with maximum federal funding, can provide considerable benefit to other less costly components later, even if those latter items are paid for under the historical cost allocation principles.

<table>
<thead>
<tr>
<th>Level 3 Dependencies</th>
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<tbody>
<tr>
<td><strong>Component</strong></td>
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<tr>
<td>Identity Management</td>
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Is This Only About Money and the “Boxes and Wires”?
No. While this paper appears to focus on saving state tax dollars and technology, from a client’s perspective, the benefits of a timely intervention by human services can go a long way toward preventing or ameliorating major medical services later.
IV. What Strategies Should States Employ Now to Take Full Advantage of the A-87 Cost Allocation Exception?

Seven Steps

1. If your human service program has not been included in the Medicaid eligibility and enrollment upgrade project, meet as soon as possible with your Medicaid peers to understand their modernization plan.

2. Look at the IT components they are building that could be re-used or shared to benefit your program. Remember that if any parts of the components eligible for the Exception are needed by the non-Medicaid program but not by Medicaid, then those parts need to be charged back to the benefitting organization. As noted previously, most of the IT components and services described under the Exception Guidance will be of mutual benefit to both Medicaid and human services and, therefore, paid for by Medicaid. The final allocation will be a function of each state’s unique set of circumstances.

3. Work with Medicaid staff and others to confirm your shared vision of the enterprise health and human services architecture needed to go forward.

4. Revisit any cost allocation assumptions contained in APDs agency or Medicaid submitted over the past two years, or plans to submit, that included A-87 Exception components of possible use to human services. Many of these may not only be eligible for the 90 percent Medicaid match, but require only limited financial support from human services.

5. Test the cost allocation assumptions expressed in these APDs to be certain your state is taking full advantage of the A-87 Exception. One quick way of doing this is to look at the APD’s percentage of total project costs allocated to Medicaid (CMS), SNAP (FNS/USDA), and the human service programs supported by ACF. If the percentages look more like those shown in Example 1 of this guidance than those in Example 2, you may want to rethink the basis for allocating the costs.

6. If necessary, file an APD-Update (APD-U) with all three federal agencies if you believe re-allocation of costs is justified under the A-87 Exception. The APD-U is the easiest and fastest way to communicate changes regarding project scope, costs, and allocated shares.

7. If a state is having trouble marshalling the necessary resources to put together an APD, you should ask your federal Regional or Central Office counterparts to connect you with other states across the country that recently submitted funding requests for projects of similar size and scope.

Making Use of the Three Levels

It is important to establish your priorities based on what can be accomplished in the time that remains. Consider the A-87 Exception services in light of what can be readily installed and tested over the next 6 to 18 months.

1. Generally speaking, the services shown under “Level 1: The Front Door” can be added to your existing system without great expense or requiring a lot of time to install.
2. Those shown under “Level 2: Foundational System Components,” will require more installation time (perhaps 12–18 months) because of their reliance on network interfaces, but are invaluable to have installed if possible.

3. The “Level 3: Heart and Soul of the System” components may take two or more years depending upon your current system’s infrastructure. With no extension of the original A-87 Exception deadlines, you may wish to take this on only as updates to your existing system architecture. Have a Plan B in your pocket should the Extension deadlines be changed in the future.

Looking at Your Funding Request from a Federal Reviewer’s Perspective

There are two areas where human service agencies can assist the Medicaid eligibility and enrollment processes:

1. Ensure that human service eligibility systems are responsive to Medicaid requests to verify eligibility based on existing human service data through automated programs requiring minimal human service staff intervention.

2. Enable Medicaid data matches that assist in proactive identification of new enrollees who lack Medicaid coverage but currently receive human services.

It will be important from the federal reviewers’ perspective to understand that the state has approached the development of the A-87 Exception APD funding request holistically, and that both health and human services are on the same page.

As discussed earlier, the Exception was not written to provide enhanced 90 percent match for human services (or other non-Medicaid) programs, but to provide an opportunity for the same eligibility and enrollment components to be shared between human services and Medicaid. Consequently, a united approach by the state that underscores such a level of cooperation will be critical in achieving federal approval.

Sole Source Possibilities

In lieu of a competitive procurement process, it may be possible to pursue an alternative procurement strategy because of the time constraints associated with the Exception’s current expiration date of December 31, 2015.

Sole source contracts are permissible within federal procurement rules under certain conditions. The Code of Federal Regulations (CFR), 45 CFR Part 92, Subpart C, Section 92.36 d (4) states: **Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source, or after solicitation of a number of sources, competition is determined inadequate.**

- Procurement by noncompetitive proposals may be used only when the award of a contract is infeasible under small purchase procedures, sealed bids, or competitive proposals when one of the following circumstances applies:
  - The item is available only from a single source,
  - The public exigency for the requirement will not permit a delay resulting from competitive solicitation,
  - The awarding agency authorizes noncompetitive proposals, or
  - After solicitation of a number of sources, competition is determined to be inadequate.
Be sure to check with your state procurement office and federal reviewers before proceeding with a noncompetitive procurement.

It may also be possible to amend an existing contract to speed up the procurement process.

If a contractor is in place that is already supplying similar or complementary solutions, the agreement with that contractor may be the vehicle that can be amended to provide the needed solution or component of a solution. Check with your federal and state procurement officers to ensure doing so is not a violation of the original terms of the contract.

Many states also have procurement vehicles that have already vetted vendor IT offerings. These procurement vehicles allow states to procure IT components (such as an ESB or a Master Client Index) from a group of pre-qualified vendors, thereby significantly shortening the time to deploy. Examples include making use of a Master Service Agreement (MSA), pursuing a cooperative purchasing agreement by piggy-backing on an existing RFP or contract, and making use of the federal General Services Administration (GSA) Schedule 70.

Some Final Thoughts

Given the time that is left, it is imperative not to load up the RFP with complex, detailed requirements to address every conceivable area. Making your RFP extremely complex and detailed will take longer to write, obligate vendors to spend more time responding, stretch out the state and federal evaluation, and guarantee you will miss the opportunity created by the A-87 Exception. While it is important to maintain a broad vision, over-engineering the solution will reduce the likelihood of being able to take advantage of the Exception.

Beyond the business services described in this paper, there are a number of others identified in the Tri-Agency letters of August 2011 and January 2012—Infrastructure and Data Center Hosting, Privacy and Security Controls, Business Intelligence tools, Master Data Management, and Federated Document Systems, etc., that may be of use.

Other examples not specifically mentioned in the Tri-Agency letters, but that may be eligible pending further clarification include:

- **Data integration** across programs and platforms—both social data and health-related—is key if a state is to take full advantage of the Exception opportunity.

- **Mobile devices and software** to facilitate eligibility and enrollment activities to help clients and field staff, navigators, and assisters of all types are highly beneficial and should be discussed with your federal regional staff if included in your strategy.

- **Connecting stand-alone MAGI solutions**, built quickly to meet the regulatory deadlines, with **more highly integrated E&E architectures**, may also be possible candidates for financial support under the Exception.

- **Interactive voice response (IVR)** is definitely a component worth considering. The enhancement of telecommunication services can provide significant benefit to customers across many programs in an integrated eligibility system.

- **Creating the infrastructure for health and human service “no-wrong-door” portals, one-stop shopping, member experiences**—from **health care and housing to nutrition, transportation, and other services**—should also be given serious consideration.
Finally, state agencies should consider four factors when deciding to avail themselves for the A-87 Cost Allocation Exception:

- How much time is estimated to build or add the eligible service or component?
- How complex is the undertaking relative to successfully completing it in the time remaining?
- How much will it cost and who pays for what?

And perhaps the most important -

- What are the program benefits of the services and components?

In other words, if it's fast, easy to build and costs the human service agency little, but the benefit is small, the state may wish to consider putting its energies into Level 2 or Level 3 items that may make more of an impact - because of the likelihood of future components being interdependent on them or because of their own intrinsic value to the state - assuming the build can be done within the remaining timeframe.

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