Independent Review

Pharmacy Benefits Management Solution
Design, Development and Implementation

For the
State of Vermont
Department of Information & Innovation (DII)
And
Agency of Human Services (AHS)

Final Version 1.3

Submitted to the
State of Vermont, Office of the CIO
By

Coeur Business Group, Inc.
May 01, 2014

Hereby accepted by Richard Boes, State of Vermont Chief Information Officer, and Commissioner, Department of Information and Innovation

E-SIGNED by Richard Boes
on 2014-05-05 21:44:14 GMT

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1. Executive Summary

The State of Vermont solicited competitive sealed bids from qualified vendors for fixed price proposals (Proposals) for a Pharmacy Benefits Management (PBM) Solution that included PBM Operational Services and the Software Design, Development, and Technical Support to deliver those Services.

The PBM Solution is to be implemented to comply with Centers for Medicare and Medicaid Services' (CMS) Seven Standards and Conditions and CMS' Medicaid Information Technology Architecture (MITA) 3.0. The PBM solution is to be closely integrated with Vermont's Medicaid Managed Information System (MMIS) solution, which is an integral part of Vermont's Health Services Enterprise (HSE).

Based upon rigorous qualification and selection the State has selected Goold Health Systems (GHS), a privately-held, wholly-owned subsidiary of Emdeon that has built a national health care management business nationwide that focuses of helping their clients effectively manage the Medicaid pharmacy benefit. GHS was incorporated in the state of Maine and is currently registered to do business in the State of Vermont. Goold Health Systems has a long history of effective collaboration with their State Medicaid Agency partners to deliver projects on-time and on-budget. CMS has certified their PBMS solutions in each state in which they have those duties. On September 23, 2013 GHS deployed a new, enhanced version of their PBM products in the State of Iowa and the project went very smoothly due to the effective collaboration between the State Medicaid staff/vendors and Goold. GHS is confident they can deliver a Vermont Pharmacy Benefit Management Solution that will meet or exceed the State expectations, attain prompt CMS certification in Vermont, achieve MITA compliance and deliver flexible, clinically-focused, cost-effective pharmacy services that will benefit the State. Their commitment is to establish a transparent, effective, quality, long-lasting and Vermont-centric partnership that will allow the Department of Vermont Health Access to meet its operational, technical, clinical and financial objectives.

1.1 Cost Summary

For the lifecycle cost analysis defined in the following table, Coeur Group points out that the GHS proposal is a complete outsourced subscription service for the management of the Pharmacy Benefit program which includes the software and hardware necessary to support this management service. The contract identifies costs for only a period of three years. Therefore no operational cost numbers are available to support a lifecycle analysis longer than three years. Since the contract does make provisions for two one year extensions, it would be prudent for the State to negotiate operational cost numbers for those two years or to at least obtain a commitment from GHS which would provide an annual cap on any percentage increase in operations cost over the previous year.

For the purpose of this lifecycle analysis, Coeur Group will make the assumption that the each of the two extension years will experience a 5% increase in cost for GHS' direct operational services over the previous year.

IT Activity Lifecycle:			3 years plus expected two 1 year extensions		
Total Lifecycle Costs (NOT including implementation costs):				Proposed	26,011,951
Total Lifecycle Costs (including implementation costs):				Proposed	28,351,564
Total Implementation Costs:				Proposed	2,339,613
New Annual Operating Costs	Year 1	Year 2	Year 3	Year 4	Year 5
Proposed:	4,982,829	5,155,796	5,055,468	5,287,372	5,530,485

Difference Between Current and New Total Costs: (ALL depicted as SAVINGS over current solution + 5%)					
	Year 1	Year 2	Year 3	Year 4	Year 5
Proposed:	1,144,185	971,218	1,071,546	839,642	596,529
State Actual Savings based on contribution %:	267,077	461,231	524,950	423,935	310,135
State Cumulative Savings based on contribution %:	267,077	728,308	1,253,258	1,677,193	1,987,328

Funding Source(s) and Percentage Breakdown if Multiple Sources:					
	Year 1	Year 2	Year 3	Year 4	Year 5
State Contribution:	43.79%	47.49%	48.99%	50.49%	51.99%
Federal Contribution:	54.01%	52.51%	51.01%	49.51%	48.01%
Leahy Federal Contribution Increase:	2.20%	0.00%	0.00%	0.00%	0.00%

1.2 Disposition of Independent Review Deliverables

Deliverable	Highlights from the Review
Acquisition Cost Assessment	The State will receive Enhanced Federal Funding that will pay 90% of the Acquisition or Start-up costs. The Enhanced Federal Funding is contingent upon the State receiving Federal Certification for the PBM Project, which is anticipated. However if the Federal Certification is not forthcoming, the Startup Costs would follow the standard federal match rates of 43.79% State and 54.01% Federal. Fully loaded Acquisition costs are 8.7% of the total lifecycle cost. If internal costs are removed the external Acquisition cost falls to 7.5%. Based upon a review of the RFP, the response by GHS, the GHS Project Plan, and the GHS Pricing, it is the opinion of Coeur Group that the Acquisition costs are reasonable and appropriately associated to the Project Plan and the needs of the State and GHS.
Technology Architecture Review	The Goold proposal calls for the delivery of a Software as a Service (SAAS) solution. The Goold offering supports web accessibility and SOA data interchange capabilities. Internally, Goold has private cloud architecture in place underpinned by VMWare based virtual server farms and SAN data storage installed across multiple data centers. The proposed GHS solution for Vermont is based on a flexible, configurable, and web-enabled system which leverages a modern Service Oriented Architecture (SOA) platform. The system is modular, scalable, and incorporates a rules driven engine that enables change and rapid response to new program requirements and benefit structures. The GHS solution for the State of Vermont will be implemented in an environment that consists of four geographically dispersed data centers which are fully mirrored and replicated so that any of the four can serve as the primary data center with one or more of the others serving as a disaster recovery location.
Implementation Plan Assessment	Goold has presented a documented implementation plan that, for them, represents a standardized, repeatable, and customizable approach they have successfully used with previous clients. The available timeline with the State of Vermont is short but within Goold's performance expectations. Goold employs a standardized system development life cycle (SDLC) approach that guides the many stages of development and implementation including testing activities. The proposed data conversion plans and strategies appear to be solid and comprehensive. Availability of State staff for participation in the project to meet the desired timeline of this project will be an ongoing concern during the course of the project. State project management staff and the interviewed stakeholders have all indicated that staff will be made available as needed. Goold needs to identify which State staff will need to be available, when, and the level of availability required.

Cost Analysis and Model for Benefit Analysis	By the end of the first three years covered by the base GHS contract, total operational costs plus initial startup costs will result in an overall cost savings for the entire PBM project of 847,335 which include 2,339,613 of start-up costs taken in year one. If the lifecycle is extended to include estimates (based on stated assumptions) for the optional extension years, the overall cost savings go up to 2,283,505. The State can expect steadily increasing costs for operation over the lifecycle of the contract due to anticipated declining Federal participation at a rate of approximately 1.5% per year after year 1 of the project. The State can expect an actual overall operational cost saving over the life of the project of 1,987,329 based upon the State contribution percentage and the Federal enhanced funding for the Start-up. A review of the PBM implementations for Iowa, Maine, Utah, and Wyoming indicates differing levels of product and services provided to these states when compared to Vermont. The scope of services provided to each state vary greatly and include staffing levels, transaction volume, data volume, external costs for testing and certifications and the number of component applications chosen for implementation. When comparing the contract costs, the new GHS contract provides overall savings to the project, therefore making a case for moving forward with the GHS contract. However, when Maine and Iowa, are examined for comparables to the new Vermont contract with GHS, we note that Maine and Iowa have higher population and enrolment numbers, yet there annual costs appear less than the new GHS contract for Vermont. Coeur Group recommends that the State communicate with GHS to understand the differences in the contracts that would justify the cost differential.

1.3 Identified High Impact &/or High Likelihood of Occurrence Risks

No High Impact or High Likelihood Risks were identified as a result of the Independent Review.

The following 4 Overall Medium Risks were identified and have planned mitigations in place:

Risk Description	State's Planned Risk Response	Reviewer's Assessment of Planned Response
FUNDING: A large portion of this project hinges on Federal Funding. Risk to departmental budget if Federal funding changes.	For ongoing operating, these costs are funded with a Global Commitment dollar which is a blend of federal and state. It is based on an ever-changing federal participation schedule. For SFY '14, this figure is 43.56% state / 56.44% federal. The	Appropriate

	federal share value changes every federal fiscal year. For SFY '15, the new values are 43.51% / 56.49%. Changes to State contribution are minimally at risk with 1.5% decrease calculated per year. See costing sheets.	
Funding needs to be verified: Interview information indicates that CMS funds 90% of DDI with the State providing 10%. Risk exists because funding is not secured prior to contract.	State has been in communication with the federal partners regarding use of the 90/10 funding. At this time, the State does not anticipate needing to take on more burden than the required 10% match for DDI efforts assuming all systems we implement will be certifiable. The State has committed to working closely with CMS to ensure that we are building/implementing the system(s) consist with how our funding has been awarded and to the standards we are required to meet.	Appropriate
Risk of State manpower availability to meet GHS project schedule. Concern about availability of State resources and their time dedication to the project / ability to make decisions concerning Rules, Data, Policy and participate in JAD sessions. Project schedule expects kickoff the first week of May with JAD sessions beginning the first week as well. Risk exists that State personnel will not be available to meet the schedule demands. GHS plans for immediate availability of State staff to complete the project on schedule. Risk exists because participation of State personnel and their availability is not defined.	When time and staffing demand from GHS is available; if any additional resources are required they will be addressed as risks and managed	Appropriate
Risk exists because Catamaran staff needed for JAD sessions not identified.	Will be identified and addressed during the	Appropriate

	planning phase by SoV and GHS PM.	

1.4 Other Key Issues

Several numbers associated to the Planned Acquisition costs from the GHS pricing appear to be randomly inserted and repeat several times. Revisiting these costs with GHS is recommended to ensure the costs are relevant and justified and not random.

Because Federal Certification to gain access to Enhanced Federal Funding to cover all start-up costs is not yet obtained, this Certification process needs to be monitored to ensure the financial picture does not change.

1.5 Recommendation

If the State can achieve satisfactory feedback from GHS concerning the cost comparisons with other states, Coeur Group, Inc. recommends continuation with the project as reviewed.

1.6 Certification

I hereby certify that this Independent Review Report represents a true, independent, unbiased and thorough assessment of this technology project/activity and proposed vendor(s).

Signature

April 25, 2014
Date

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2. Scope of this Independent Review

Add or change this section as applicable.

2.1 In-Scope

The scope of this document is fulfilling the requirements of Vermont Statute, Title 3, Chapter 45, §2222(g):
The Secretary of Administration shall obtain independent expert review of any recommendation for any information technology initiated after July 1, 1996, as information technology activity is defined by subdivision (a)(10), when its total cost is $1,000,000 or greater or when required by the State Chief Information Officer.

The independent review report includes:

- An acquisition cost assessment
- A technology architecture review
- An implementation plan assessment (which includes a Risk Analysis)
- A cost analysis and model for benefit analysis; and
- An impact analysis on net operating costs for the Agency carrying out the activity

2.2 Out-of-Scope

Any subject not contained in section 2.1 is considered Out of Scope for the Review.

A separate deliverable contracted as part of this Independent Review may be procurement negotiation advisory services, but documentation related to those services are not part of this report.

3. Sources of Information

3.1 Independent Review Participants

Name	Employer and Title	Participation Topic(s)
Tim Holland	Vermont – EPMO Oversight PM	IR Process and Schedule
Donna Amoit	Vermont – PBM Project Manager	PBM Process and Schedule
Paul Pratt	Vermont AHS - PMO Director	PBM Process and Schedule
Stephanie Beck	Vermont HSE - Program Director	PBM Process and Schedule
Scott Brown	Former - PBM Project Mgr.	PBM Process and Schedule
Carrie Hathaway	Vermont – Financial Director III	Financial Implications
Shawn Benham	Vermont – Financial Analyst	Financial Implications
Lori Collins	Vermont – Deputy Commissioner	Pharmacy Operations
Nancy Hogue	Vermont – Pharmacy Director	Pharmacy Operations
Kate Jones	Vermont – Procurement/Contracts	Pharmacy Operations
Jennifer Egelhof	Vermont – Pharmacy Project Mgr.	Pharmacy Operations
John Hunt	Vermont – Enterprise Architect	Vermont Technical Architectures
Michael Hall	Vermont – MMIS Technical Lead	Vermont Technical Architectures
Darin Prail	Vermont – CIO, AHS	Vermont Technical Architectures
Kevin Chartrand	Gartner – Consultant	PBM RFP Development
Martin Geffen	Gartner – Consultant	PBM RFP Development
Garland Kemper	Gartner – Consultant	PBM RFP Development
Karyn Wheeler	Goold – Account/Project Manager	GHS Proposed Systems & Services
Miklos Van Halen	Goold – Sys. Implementation Mgr.	GHS Proposed Systems & Services
Chris Sigel	Goold – Networking Manager	GHS Proposed Systems & Services
Michael Ouellette	Goold – Clinical Pharmacy Mgr.	GHS Proposed Systems & Services

3.2 Independent Review Documentation

Document Name	Description	Source
Vermont PBM RFP – Amended 1-9-14 (plus all attendant templates)	Vermont RFP released for Pharmacy Benefit Management solutions. Developed by Gartner, Inc.	State of Vermont EPMO
GHS_VT PBM RFP 03410-127-14_MASTER (plus all attendant attachments, work plans, and cost proposals	Goold Health Systems response to the State of Vermont's RFP for a Pharmacy Benefit Management solution.	State of Vermont EPMO
State of Vermont IT Strategic Plan 2014-2019	Vermont IT Strategic Plan	http://dii.vermont.gov/sites/dii/files/pdfs/DII-Strategic-Plan-FY2014-2019.pdf
Contract GHS Draft	Draft contract between GHS and State	State of Vermont EPMO
Draft Transfer Plan Amendment to		State of Vermont EPMO

Catamaran Contract		
MMIS Business Case		State of Vermont EPMO
MMIS Preliminary Life Cycle Cost Analysis		State of Vermont EPMO
Bid Response Score Sheet		State of Vermont EPMO

4. Project Information

4.1 Historical Background

In January 2011, Vermont Governor Shumlin announced his comprehensive plan for health reform, including the goal of implementing a single payer system of universal health coverage for Vermonters. In January of 2012, the Governor's Strategic Plan for Healthcare Reform was released. Specific objectives of this plan are to: 1) reduce the growth of healthcare cost; 2) assure universal access to high quality health coverage; 3) improve the health of Vermonters; and 4) assure greater fairness in healthcare financing in Vermont. Core strategies of Governor Shumlin's Reform Plan include changing how care is delivered to Vermonters; moving from volume-based to value-based reimbursement; and moving from a fragmented and overly complex financing system to a unified system that supports integration of service delivery and payment reform.

The Agency of Human Services has the widest reach in the Vermont State government and has one of the most critical missions: to improve the conditions and well-being of Vermonters today and tomorrow, and protect those who cannot protect themselves. The Department of Vermont Health Access (DVHA), which is a department of AHS, assists beneficiaries in accessing clinically appropriate health services, administers Vermont's public health insurance system efficiently and effectively, and collaborates with other healthcare system entities in bringing evidence-based practices to Vermont Medicaid beneficiaries.

DVHA's current solution and associated contract with Catamaran PBM of Massachusetts, Inc. (f/k/a Medmetrics, Inc.) will come to a close on December 31, 2014. As a result, DVHA has, in compliance with Vermont State Bulletin 3.5, gone out to solicit competitive bids for a suitable replacement that targets current operational requirements as well as the strategic objectives noted above.

4.2 Project Goal

In support of the AHS and DVHA mission, the goal of DVHA's pharmacy programs is to replace the currently utilized PBM solution while assuring access to and availability of safe, efficacious, and clinically appropriate drug therapy at the lowest cost possible. DVHA seeks a PBM partner that values business processes that reduce administrative burden on DVHA, providers, and beneficiaries throughout the duration of the contract. DVHA also seeks a PBM partner that can support DVHA's health reform initiatives, including the Governor's single payer/single formulary vision, payment reform models, and the Dual Eligible Demonstration project as well as new federal standards such as the Seven Standards and conditions of CMS and MITA 3.0.

4.3 Project Scope

The State of Vermont, Agency of Human Services seeks to secure the services of a Vendor that will be responsible for all facets of the day-to-day operational administration of the Vermont's pharmacy benefit

including managing the State's pharmacy benefit programs, adjudication of pharmacy claims, call center operations, utilization management and drug utilization review programs, benefit design and clinical support, rebate management, and reporting and analysis.

A high level list of the services and systems to be provided include, but are not limited to, the following:

Claims Processing and Operational Support

- Point-of-Sale (POS) claims processing system
- Automated Coordination of Benefits (COB)
- Post Payment Claims Management
- Provider Network Support, Call Center, and Portal
- E-Prescribing and E-Prior Authorization Capabilities

Pharmacy Benefit Management and Clinical Programs

- Utilization Management Programs
- Prior Authorization Program
- Drug Utilization Review
- State Maximum Allowable Cost (SMAC) Program and the Federal Upper Limit (FUL)
- Specialty Pharmacy
- Medication Therapy Management
- Benefit Design and Consultative Support
- Management of Physician-Administered Drugs
- Reporting and Analytics
- Quality Assurance
- Dual Eligible Demonstration
- Medication Therapy Management

Financial Management

- Management of State and CMS Drug Rebate Programs
- Support of Multistate Supplemental Rebate Consortium
- 340B Program Management

Additional Services

- Single Payer Considerations

4.3.1 Major Deliverables from the RFP

Task	Deliverable
Task 1 — Project Initiation and Planning	Deliverable 1 — Project Kick-off Presentation
	Deliverable 2 — Project Management Plan
	Deliverable 3 — Project Work Plan and Schedule
	Deliverable 4 — Monthly Project Status Reports
Task 2 — Requirements Validation	Deliverable 5 — Requirements methodology and Template
	Deliverable 6 — Cross-Walk of RFP Functional against Legacy System Functionality
	Deliverable 7 — Detailed Functional and Non-Functional Requirements Traceability Matrices
Task 3 — System Design	Deliverable 8 — Configuration Design Document
	Deliverable 9 — Data Integration and Interface Design Document
Task 4 — Configuration and Development	Deliverable 10 — Client Review of Configuration
	Deliverable 11 — Unit Testing Scripts and Results
Task 5 — Testing	Deliverable 12 — Documented System Test Results
	Deliverable 13 — User Acceptance
Task 6 — Training	Deliverable 14 — Training Plan
	Deliverable 15 — Training Materials
	Deliverable 16 — Documented Evidence of Successful End-User Training
Task 7 — Deployment	Deliverable 17 — Deployment Plan
	Deliverable 18 — CMS Certification
	Deliverable 19 — System Documentation
	Deliverable 20 — Performance SLAs
	Deliverable 21 — Rollout

4.4 Project Phases, Milestones and Schedule

This Schedule is directly from the GHS Project Schedule.

Task Name	Duration	Start	Finish	Pr
DRAFT_VT PBM Work Plan_rev1_2014-01-24	941 days	Fri 1/31/14	Fri 9/8/17	
Pre-Contract Activities	64 days	Fri 1/31/14	Wed 4/30/14	
Project Start	172 days	Thu 5/1/14	Fri 12/26/14	
Task 1 - Project Initiation and Planning	174 days	Fri 5/2/14	Wed 12/31/14	
Task 2 - Requirements Validation	30 days	Fri 5/2/14	Thu 6/12/14	
Task 3: System Design	13 days	Tue 6/3/14	Thu 6/19/14	
Task 4 - Configuration and Development	85 days	Fri 5/2/14	Thu 8/28/14	
Task 5 - Testing	89 days	Fri 8/1/14	Wed 12/3/14	
Task 6 - Training	140 days	Fri 6/20/14	Thu 1/1/15	
Task 7 - Deployment	35 days	Tue 11/4/14	Mon 12/22/14	
Operations Phase	941 days	Fri 1/31/14	Fri 9/8/17	

5. ACQUISITION COST ASSESSMENT

Acquisition Costs	Cost	Comments
Hardware Costs	$ ZERO	Hosted solution, no hardware
Software Costs	$ ZERO	Hosted solution, no software
Implementation Services	$ 1,918,776	Includes all configuration of new system
System Integration Costs	$ ZERO	Included in Implementation Services above
Professional Services (e.g. Project Management, Technical, Training, etc.)	$ 164,293	Includes contracted PM services from DESAI as well as PBM PM and support from DII during implementation.
RFP creation and scoring (Gartner)	$ 126,667	
PBM Staff training	$ 19,829	Training is included in Year 1 of the project. Estimated by using all PBM staff and requiring 80 hours of training.
Contingency budget for unanticipated tasks	$ 110,048	
Total Acquisition Costs	**$ 2,339,613**	

Breakdown of Planned Implementation Services	
Project Status Reporting (Recurring throughout the length of the project)	19,187.76
Project Kick-off Presentation	9,593.88
Project Management Plan	28,781.64
Project Work Plan and Schedule	23,025.31
Monthly Project Status Reports	15,350.21
Requirements methodology and Template	28,781.64
Cross-Walk of RFP Functional against Legacy System Functionality	38,375.51
Detailed Functional and Non-Functional Requirements Traceability Matrices	47,969.39
Configuration Design Document	38,375.51
Data Integration and Interface Design Document	38,375.51
Client Review of Configuration	23,984.70
Unit Testing Scripts and Results	9,593.88
Documented System Test Results	23,984.70
User Acceptance	57,563.27
Training Plan	19,187.76
Training Materials	47,969.39
Documented Evidence of Successful End-User Training	57,563.27
Deployment Plan	38,375.51
CMS Certification	86,344.91
System Documentation	23,984.70
Performance SLAs	19,187.76

Rollout	71,954.09
Successful requirements documentation, configuration, and testing of provider networks (pharmacy, prescriber)	57,563.27
Preferred Drug List and Prior Authorization program requirements documentation and configuration (e-PA, step therapy, QL, manual PA, physician-administered drugs)	86,344.91
Prior Authorization and Appeals policy manual documentation	28,781.64
Documentation of specialty pharmacy program policies and procedures	28,781.64
Approved transition plan for specialty pharmacy implementation	28,781.64
Approved Retrospective DUR program policies and procedures	28,781.64
Call Centers Policy and Procedures Manual documented	28,781.64
Pharmacy Provider Manual and Payer Sheets documented	47,969.39
Approved Transition Plan (Vendor to Vendor)	47,969.39
Successful load of all historical rebate data	124,720.42
Approved training plan for reporting and analytic tool, claims processing system, drug rebate system, and other software training	19,187.76
Approved Quality Assurance and Improvement Plan and Performance Measures Documentation and Reporting	57,563.27
Successful claims history load and testing	143,908.18
Approved MTM program policies and procedures	38,375.51
Milestone #1 - Contract Execution	143,908.18
Milestone #2 - Completion of Local Facility Build-out	239,846.96
Total System and Services Implementation	1,918,775.74

5.1 Cost Validation:

All costs were validated using input from GHS staff, the GHS proposal, the GHS cost Proposal, the GHS project plan, and then additionally validated with the PBM Financial Director, PBM Financial Liaison, the DII Oversight Project Manager and the PBM Project Manager. Review of the costs show approximately 40 individual line item costs with their associated percentage of the total startup costs. These costs are appropriately associated to the project plan and do not reflect unjustified expenses.

5.2 Cost Comparison:

Fully loaded acquisition or implementation cost for this project runs approximately 8.7% of the total lifecycle cost of the project. However, if internal costs for the creation of the RFP and other supporting resources were removed, the real product and service acquisition costs percentage would fall from approximately 8.7% down to 7.5%. At 8.7% of the total life cycle cost, the acquisition cost is far below what would be expected with an internally hosted solution, and well within expectations for a hosted solution.

A review of the PBM implementations for Iowa, Maine, Utah, and Wyoming indicates differing levels of product and services provided to these states when compared to Vermont. Coeur Group speculates the scope of services provided to each state vary greatly with major differences in included staffing levels, transaction volume, data volume, external costs for testing and certifications and the number of component applications chosen for implementation. For the remainder of the cost comparison, Coeur Group is removing Utah from the equation because that state utilizes Software As A Service only with no Operational Services being provided by GHS. Due to these differences in scope among these different states, it is impractical and irrelevant to attempt a cost comparison that has any bearing on the GHS proposal for Vermont.

When comparing the costs between the existing Catamaran contract and the proposed GHS base contract, the new GHS contract provides overall savings to the project while receiving additional services and capabilities, therefore making a case for moving forward with the GHS contract. However, when Maine and Iowa, are examined for comparables to the new Vermont contract with GHS, we note that Maine and Iowa have higher population and enrolment numbers, yet there annual costs appear less than the new GHS contract for Vermont. Coeur Group recommends that the State communicate with GHS to understand the differences in the contracts that would justify the cost differential. Reference the comparison numbers in the following table:

	Vermont Catamaran	Vermont GHS	Maine	Iowa	Wyoming	Utah SAAS Only
State Population (Census Bureau's 2013 Population Estimates)	626,630	626,630	1,328,302	3,090,416	582,658	2,900,872
Monthly Medicaid Enrollment (Estimate provided by AHS)	177,000	177,000	275,000	343,000	62,000	394,000
Avg annual Non-dual Pharm Reimbursement (2009)	924	924	660	648	648	N/A
Avg annual Dual Pharm Reimbursement (2009)	3,144	3,144	708	612	N/A	N/A
One Time DDI Costs	N/A	2,339,613	N/A	2,590,000	N/A	N/A
Estimated Average Annual Contract	6,127,014	5,064,698	4,700,000	3,600,000	1,700,000	1,600,000

Cost - 3 year period						
PBM Cost per population	9.78	8.08	3.54	1.16	2.92	0.55
PBM Cost per Medicaid Enrollment	34.62	28.61	17.09	10.50	27.42	4.06

5.3 Cost Assessment:

Based upon a review of the RFP, the response by GHS, the GHS Project Plan, the GHS Pricing, and evaluating other States who implemented PBM solutions, it is the opinion of Coeur Group that the Acquisition costs are reasonable and appropriately associated to the Project Plan and the needs of the State.

Several numbers associated to the Planned Acquisition costs from the GHS pricing appear to be randomly inserted and repeat several times such as: $28,781.64 and others. Revisiting these costs with GHS is recommended.

5.4 Additional Comments on Acquisition Costs:

No additional comments on Acquisition Costs.

6. Technology Architecture Review

6.1 State's IT Strategic Plan:

Vermont plans to procure a contemporary Pharmacy Benefit Management solution that is compliant with MITA 3.0 architecture, meets CMS's Seven Standards and Conditions, and is bundled with services from a Vendor that will be responsible for all facets of the day-to-day operational administration of the Vermont's pharmacy benefit including managing the State's pharmacy benefit programs, adjudication of pharmacy claims, call center operations, utilization management and drug utilization review programs, benefit design and clinical support, rebate management, and reporting and analysis.

The State of Vermont's procurement of a Pharmacy Benefits Management (PBM) Solution that includes PBM Operational Services and the Software Design, Development, and Technical Support to deliver those Services supports each of the Strategic Principles outlined in the State's current IT plan as follows:

- Leverage successes of others, learning best practices from outside Vermont.

  Goold Health Systems (GHS) is a privately-held, wholly-owned subsidiary of Emdeon that is focused on providing systems and services to effectively manage Medicaid pharmacy benefits. GHS provides pharmacy benefit management and related healthcare support services in 16 states which provides a good portfolio of clients from which they can leverage proven best practices. The GHS solution has been architected to incorporate these best practices while allowing minimal customization of system configurations, and business process supports to accommodate any specific needs of the State of Vermont. Additionally, Goold has stated in their RFP response that their solution meets the shared objectives of MITA 3.0 and CMS's seven standards and conditions which further enhance their Best Practices commitment.

- Leverage shared services and cloud-based IT, taking advantage of IT economies of scale.

  The Goold proposal calls for the delivery of a Software as a Service (SAAS) solution. The Goold offering supports web accessibility and SOA data interchange capabilities. Internally, Goold has private cloud architecture in place underpinned by VMWare based virtual server farms and SAN data storage installed across multiple data centers.

- Adapt the Vermont workforce to the evolving needs of state government.

  This outsourced set of systems and services from Goold will provide the opportunity for State of Vermont staff to better focus their skills and abilities on policy and program development rather than being burdened with routine service delivery activities.

- Leverage modern IT delivery frameworks and enterprise architectures.

  The proposed GHS solution for Vermont is based on a flexible, configurable, and web-enabled system which leverages a modern Service Oriented Architecture (SOA) platform. The system is modular, scalable, and incorporates a rules driven engine that enables change and rapid response to new program requirements and benefit structures.

- Couple IT with business process optimization, to improve overall productivity and customer service, not just IT itself.

  GHS will provide the State with Business Process Optimization as the existing processes are mapped to the new applications and new processes in the GHS environment. The GHS project plan calls for examination of current verses future business processes as well as configuring the new systems to assist with future business processes redesign.

- Optimize IT investments via Enterprise Architecture and Project Management methodologies.

  The State of Vermont is incorporating proven project management disciplines with this initiative to secure a successful implementation in the short timeframe available. Requiring adherence to of the selected solution to the State's enterprise architecture will ensure an implementation of systems and services that has a primary focus on the business needs of the State while fitting into the long term vision and technology plans.

6.2 Service Level(s):

The Goold offering is implemented upon a high availability platform based on clustered virtual servers and redundant SAN storage. The contract between the State and GHS indicates "The Contractor's Vermont PBMS solution, including all supporting components, shall be available to authorized users 24 hours a day, during every day of the year, including all holidays with over 99.95% uptime, with the exception of approved maintenance windows." The only remedy found in the contract indicates that a Contract Default "… if either party breaches a material provision of this Contract, which breach remains uncured for a period of thirty (30) days after written notice thereof from the other party specifying the breach (or if such breach cannot be completely cured within the thirty (30) day period, such longer period of time provided that the breaching party proceeds with reasonable diligence, as determined by the State, to completely cure the breach) either party, at its option, may terminate this Contract immediately by giving written notice and exercise such other remedies as shall be available under this Contract, at law and/or equity." Actual measurements or metrics for the determination of the 99.95% uptime will be defined during the JAD sessions planned for the beginning of the contract period.

Coeur Group recommends that the State include language that further delineates protections and recourse for the State in the event GHS does not meet its uptime commitment.

6.3 Sustainability:

The high availability technical architecture supporting the GHS offering is built on industry standard configurations. The hardware platform is constructed from readily available servers and storage facilities from first tier vendors such as Dell and EMC. Goold has the expertise to support both the Java and .Net development and communications platforms within their application offerings.

Goold claims "Improvements to our data center in 2010 upgraded our classification from a Tier 2 to a Tier 3 data center based on the criteria of the Uptime Institute. The GHS data center facility is equipped with backup generator power and FM-200 gas fire suppression systems. These minimize the risk of failure due to power outages or fire, the most likely of potential disaster scenarios for our Data Center."

The following is the criteria from the Uptime Institute for a Tier 3 data center as stated in a white paper published by Uptime Institute titled "Tier Classifications Define Site Infrastructure Performance" by W.Pitt Turner IV, PE, John H. Seader, PE, Vince Renaud, PE and Kenneth G. Brill.

2.3 Tier III: Concurrently Maintainable Site Infrastructure

2.3.1 The fundamental requirements:

a) A Concurrently Maintainable data center has redundant capacity components and multiple independent distribution paths serving the critical environment. Only one distribution path is required to serve the critical environment at any time.
b) All IT equipment is dual powered as defined by the Institute's *Fault Tolerant Power Compliance Specification, Version 2.0* and installed properly to be compatible with the topology of the site's architecture. Transfer devices, such as point-of-use switches, must be incorporated for critical environment that does not meet this specification.
c) Twelve hours of on-site fuel storage for 'N' capacity.

2.3.2 The performance confirmation tests:

a) ***Each and every*** capacity component and element in the distribution paths can be removed from service on a planned basis without impacting any of the critical environment.
b) There is sufficient permanently installed capacity to meet the needs of the site when redundant components are removed from service for any reason.

2.3.3 The operational impacts:

a) The site is susceptible to disruption from unplanned activities. Operation errors of site infrastructure components may cause a computer disruption.
b) An unplanned outage or failure of any capacity system will impact the critical environment.
c) An unplanned outage or failure of a capacity component or distribution element may impact the critical environment.
d) Planned site infrastructure maintenance can be performed by using the redundant capacity components and distribution paths to safely work on the remaining equipment.
e) During maintenance activities, the risk of disruption may be elevated. (This maintenance condition does not defeat the Tier rating achieved in normal operations.)

6.4. License Model:

First and foremost, the State of Vermont will be contracting with Goold Health Systems for services to manage the Pharmacy Benefit function on behalf of the State. Along with those services, Goold has a suite of software applications and tools with which they will perform those services. This outsourced and hosted offering is based on a three year base services contract with two, one-year extension options available to the State of Vermont. In this model, a software licensing model in the traditional sense is not applicable. The closest traditional licensing model would be embodied in an enterprise license where there is unlimited user access to the system. This provides accommodation for any number of pharmacy providers, physicians, and State staff to access relevant information from the GHS support systems.

6.5 Security:

Section 3.0 A3-Regulatory and Security of the GHS RFP response contains a full briefing on GHS security. A subset of that response is provided here:

GHS follows an information security components methodology focusing on Confidentiality, Integrity and Availability (CIA) for securing its logical and physical assets and infrastructure. Each user ID and password conforms to GHS' User ID and password policies which define the minimum complexity, number characters, and acceptable letter combinations of a password.

GHS uses a minimum access necessary model for both physical and logical access, as determined by an individual's job responsibilities and duties. This is intended to ensure that only authorized individuals have access to information required as part of their role and responsibilities. GHS protects its information using logical and physical security, hardened computerized infrastructure, policies and procedures, and information backup schemas.

GHS physical/facilities infrastructure is secured using an Electronic Card Access (ECA) system in which each individual is given a proximity card that allows them access to the necessary locations to perform their job duties. Each secured room in GHS' facilities is secured by an RF reader/access point and each time a proximity card is used to access a location the individual's access card is recorded and reported. During non-business hours GHS' facilities are secured using alarm systems and motion sensors inside the facility, both of which are monitored by an outside security vendor.

GHS performs several types of audits ranging from physical access audits, Intrusion Detection System (IDS) audits, server and workstation recourse audits, software audits, application audits, etc. to insure the integrity of its physical and logical infrastructure. GHS uses industry standard Firewalls, IDS, and Proxy Servers to protect its Network infrastructure from outside entities.

Secure Sign-on, Authentication, and Password Management:
GHS employs secure sign-on, authentication, and password management that is compliant with federal security and privacy requirements, as well as those of client states and GHS' own policies. GHS employs standard authentication systems such as Active Directory (AD) and Lightweight Directory Access Protocol (LDAP) in each application. Through each application's Access Control List (ACL), users and groups are then granted permissions based on roles. While permissions for each application are managed by the application itself, each application ties into AD / LDAP allowing for users to use the same username and password combination for all. AD, LDAP, and ACLs are used regardless of where a system or application is accessed from, whether it's from GHS' internal network, a State's intranet, or the internet. The Goold PBM offering employs the use of user id and password requirements to gain access to their web based applications. Once authenticated to the application, each user has a role based profile which directs the functions and access levels available to the user.

GHS staff has experience working with HIPAA Privacy and Security Rules. All employees have completed HIPAA privacy training. Additionally, all employees must sign confidentiality agreements. Each employee also attends a HIPAA training class that explains the privacy and security rule and that employee's role and responsibilities relating to this rule. Each employee also participate in ongoing HIPAA and security training courses in order to maintain compliance with the most current policies and processes with regard to the protection of PHI.

GHS operates a fully compliant pharmacy POS claims adjudication system in accordance with all current federal guidelines, including the Omnibus Budget Reconciliation Act (OBRA) and Health Insurance Portability and Accountability Act (HIPAA) provisions, and all additional initiatives implemented by their client states. GHS has implemented requirements for NCPDP version D.0, ICD-10 code sets as they pertain to pharmacy, and HIPAA X12 Version 5010.

The Goold Rx POS claims adjudication system is compliant with NCPDP D.0, the most current transaction standard released by the organization. GHS has implemented the requirements for all NCPDP version D.0 updates and will remain current with all future updates to this standard. The GHS technical staff is prepared to continue assisting our state clients in maintaining full compliance with all future applicable transaction standards and claim submission format requirements. This represents critical functionality of PBMS that GHS is offering for the DVHA PBM project. Data transfers between the eligibility system, MMIS, and the GHS PBM solution will initially utilize a secure FTP process with 2048 bit encryption. These will be replaced by a SOA based Web Services interface when the State's applications are enabled to participate.

6.6 Disaster Recovery:

Goold has a primary data center and a geographically remote disaster recovery center. The disaster recovery center provides a complete hot site duplicate of the primary site with mirrored servers, active data replication, uninterruptable power with generator backed up, and redundant communications paths and vendors. The June 2013 acquisition by Emdeon provides Goold with two additional data centers which are being set up to each operate as either a prime or fully replicated disaster recovery/continuity site. Goold routinely performs failover tests to ensure the disaster recovery plans and facilities operate properly to provide uninterrupted support to their clients.

Goold's has used best practices in architecting its data centers for high availability, uninterrupted business continuity, and rapid disaster recovery. Once they have fully completed their plans to incorporate the additional data centers made available by the Emdeon acquisition, they will have a private cloud architecture that will provide the State of Vermont with outstanding flexibility, resilience, and protection from outages in service.

6.7 Data Retention:

In addition to their fully replicated hot site business continuity capability, Goold performs daily, weekly, and monthly backups of each of their data stores. These backups are rotated through a separate offsite location. Data backups are maintained indefinitely and are compliant with the State Data Retention policies. Specific scheduling, rotation, and purging of data will be further developed during the JAD session during initiation and monitored throughout the project.

6.8 Service Level Agreement: **What is your assessment of the service level agreement provisions that the proposed vendor will provide? Are they appropriate and adequate in your judgment?**

Goold's claim of 99.95% availability is consistent with their installed technical architecture.
While GHS has agreed to meet all requirements of the RFP and to meet the Federal compliance terms, the State needs to work with Goold to define the metrics and measures for operational delivery of direct services. The project plan calls for this activity to be performed during the JAD sessions which is acceptable to the review.

6.9 System Integration:

The Goold system will participate in a bi-directional interchange of data between the State's Eligibility System (Access) and the Medicaid Management Information System (MMIS). Eligibility data, provider

data, and drug formularies will be transmitted to the Goold PBM system and claims processing, financial management, and drug rebate processing data will be returned to the MMIS system.

Initially, these data exchanges will be accommodated by file transfers of fixed field formatted flat files. As a part of the implementation of a new MMIS system, targeted for December 2016, these data exchanges will be replaced by a SOA based Web Services interface when the State's applications are enabled to participate, that will allow near real time, transactional transmission of data between the systems. See the System Interoperability Diagram located in Attachment 1. GHS has agreed to perform the conversion from a file based structure to SOA as part of the contract for no additional charge.

Actual output from GHS to the State and the acceptance of that output has not been agreed upon as of this Independent Review. The GHS project plan calls for JAD sessions to address both the design and acceptance of the data export and report deliverables.

PBM and VISION integration: Previous discussions surrounding any requirement for a connection between PBM and VISION have indicated that one does not currently exist with the current PBM vendor, no connection was needed with the GHS solution, and that the existing MMIS system was responsible for this activity. However, further elaboration indicates a connection is required between the PBM and VISION to process Drug Rebates which is a responsibility that the current vendor does not have, but will become the responsibility of GHS. Following examination, the RFP does not call for this connection and GHS has not provided a capability for the connection. The current "as-is" manual business process informs the business when rebates hit the VISION System. The RFP indicates the System shall implement, at a minimum, interfaces (both real-time or batch) with the State and other contracted systems requiring integration and data sources such as but not limited to ACCESS / Integrated Eligibility, and the Existing and replacement MMIS. These interfaces shall be implemented using point-to-point methods and secure file transfer for the legacy systems and Vermont's Health Services Enterprise integration middleware, Oracle SOA Suite and Service Bus for the replacement systems. VISION was not explicitly spelled out as we do not have currently have an interface to VISION for the processing of the payments as they are done manually. The project team will manage the creation of this interface with GHS as part of the implementation.

The Risk Register has been updated adding the GHS to VISION Rebate Interface as a low risk pending discussions with GHS.

6.10 Additional Comments on Architecture:

No additional comments on Architecture.

7. Assessment of Implementation Plan

7.1 Implementation Readiness

7.1.1 The reality of the implementation timetable

While the almost 8 month timeline the State of Vermont has created for the implementation of this new PBM system and services is tight, Goold project management staff have indicated that they have successfully implemented a comparably sized implementation of their solution in 6 ½ months.

This would indicate that there is approximately one month cushion in the existing schedule and the target of having the new PBM system operational by 12/31/2014.

Coeur Group has identified a risk for this timeline. The available timeline is short but within the performance expectations of Goold.

7.1.2 Training of users in preparation for the implementation

GHS will provide a training program for State staff and Vendors for use of the State approved reporting tool. Training will be provided to new users or when significant updates to the reporting tool are provided. GHS will work with the Department to develop and deliver a broad and comprehensive training solution that will include comprehensive Knowledge Transfer and Training Plan and training program consisting of support and resource materials, and defines clearly the roles and responsibilities of the State and GHS. The Knowledge Transfer Training Plan and all subsidiary training plans will include and specify the use of systems and services to accomplish the training and will include specific information on shared services to the State and all stakeholders with respect to their roles and responsibilities using the DVHA PBM system and subsequent training methods and approaches. This approach will allow personnel and providers to demonstrate target proficiency, as defined by the State of Vermont, in desired training topics related to the DVHA PBM for the different user groups, including State personnel, Stakeholders, and Providers according to their roles and responsibilities. The training will include hands-on, train-the-trainer (TTT) materials which include the use of new tools and techniques that support the functions and are consistent with primary training objectives and requirements.

Coeur Group assesses the training strategies identified by Goold to be satisfactory, particularly for an outsourced and hosted solution.

7.1.3 Readiness of impacted divisions/ departments to participate in this solution/project

This contract will effectively outsource operational responsibility for the Pharmacy Benefit process. The State has identified six full time positions and two part time positions that will provide oversight management of the PBM program as well as Project Management functions. Existing PBM management staff will be retained and receive training for their oversight role of system management. The Pharmacy Director has advised that some existing responsibilities will be modified to meet the needs of the new system as well as adding new responsibilities as needed. The agency will be building a list of job responsibility changes as the project enters the Initiation phase. No opportunity for personnel cost savings is apparent.

Coeur Group has identified State staff availability as a risk factor for being able to meet the desired timeline of this project. State project management staff and the interviewed stakeholders have all indicated that staff will be made available as needed. The State needs to work with Goold early on to identify which State staff will need to be available, when, and the level of availability. This should be accomplished as soon as possible so all staff is fully aware of the expectation on their time commitments.

7.1.4 Adequacy of design, conversion, and implementation plans

The Goold Data Conversion and Migration Plans include the following information, but are tailored to specific conversion and migration projects:

- Introduction
- Approach to conversion
- Data to be converted
- Planned conversion steps
- Data conversion testing and validation
- Entry criteria
- Test script/case creation and execution
- Exit criteria
- First time file (test file) – received for testing
- Data warehouse/data analysis quality assurance
- POS adjudication staging/test quality assurance
- Quality assurance of production feeds
- Issue tracking/resolution
- Data conversion validation results
- State review and approval procedures

A Data Conversion and Migration Manager and Project Manager will be assigned to specifically oversee the data conversion and migration activities. A Conversion and migration plan and schedule will be developed to reflect dates, activities and persons responsible for tasks related to the data Conversion and migration process.

Coeur Group believes the proposed conversion plans and strategies to be solid and comprehensive. It should be noted that State staff time will be needed to review and approve the procedures and the results of the conversion.

7.1.5 Adequacy of support for conversion/implementation activities

Goold utilizes a separate integration engine that data files are processed through prior to being imported by their core systems. This allows them to keep the conversion process focused in a simple environment that is easily customized to the needs of individual clients. Once the data leaves the integration engine, it has been formatted as needed to fit the import requirements of the GHS system.

Coeur Group has discussed the approach to data conversion activities with Goold. They indicated they have separate teams that will work the conversion effort from those involved in system configuration and implementation activities.

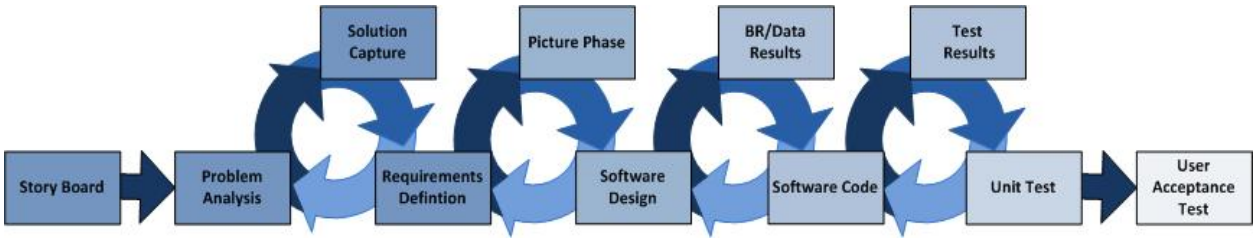
7.1.6 Adequacy of agency and partner staff resources to provide management of the project and related contracts

Coeur Group has interviewed and worked with State project management staff in addition to Goold's project manager. All have demonstrated a solid understanding of the project management discipline and employ PMI based standards.

7.1.7 Adequacy of testing plan/approach

GHS follows industry best practices by using a blend of mature project management, development, testing, and release methodologies. Their Software Development Lifecycle (SDLC) incorporates traditional waterfall methods combined with iterative, agile approaches where appropriate.

Through many years of software maturity practices, the GHS SDLC recognizes the common pressure points where the process can go wrong due to incomplete and/or misunderstood requirements, or when the GHS development team and our customer determine that the solution will not meet the desired outcome and requirements. It is at these points that GHS will interject quality review events that provide an opportunity for involvement by the stakeholders who will share in the successes of the project. The GHS SDLC is summarized in the following figure.



Coeur Group believes this standardized approach to follow best practices for an SDLC. Of note in the Goold SDLC is the iterative nature of many of the stages of development including the testing activities.

7.1.8 General acceptance/readiness of staff

Coeur Group believes the State staff is capable and ready to accept the challenges that will be presented by this project. There was no indication of concern or reluctance demonstrated. The primary challenge and risk has been identified as the staff's availability to meet the needs of this project during implementation. Those resource requirements have yet to be defined by the vendor and this needs to be accomplished quickly following the contract execution.

7.1.9 Additional Comments on Implementation Plan:

No Additional Comments on Implementation Plan.

7.2 Risk Assessment & Risk Register

The Risk Assessment combined input from the documents received from the State, Team Interviews of Vt. Business, Vt. Technical, Vt. Finance, Vt. Project Management, Gartner, GHs Technical, GHE Business, and GHS Project Management and multiple telephone and email communications with all of the Teams.

It is the opinion of Coeur Business Group that the Risks identified during the Independent Review have been properly addressed and appropriately mitigated.

Please see Attachment 2 for the full Risk Register.

7.2.1 Additional Comments on Risks:

No additional comments on risks.

8. Cost Benefit Analysis

8.1 Analysis Description:

The cost benefit analysis was conducted using information provided by GHS staff, the GHS proposal, and the GHS pricing. This information was combined with financial data collected from the PBM Finance Director and the PBM Finance Liaison to create an overall costing for the project lifecycle.

The analysis that follows includes further clarification of funding for the various details of the cost model (Federal vs. State dollars) and comparisons of proposed cost throughout an anticipated 5 year lifecycle of solution utilization in contrast with the current costs for the same timeframe.

8.2 Cost / Benefit Analysis Assumptions:

- Cost for the current vendor solution will increase by 5% in coming year and then remain constant.
- The proposed GHS contract is only priced for a base of three years, however, lifecycle calculations include the exercise of two optional extension years with estimated operational cost increases of 5% per year over the previous year's cost.
- State and Federal contributions were adjusted at a rate of 1.5% per year based upon information provided by the PBM Finance Director.
- Salaries for State personnel were adjusted based on a "typical" annual increase of 2% per year.
- Partial use of FTE for State was calculated at 25% utilization.
- Partial use of external PM services from DESAI was calculated at 25% utilization for the first phase.
- PM services include the use of DII architecture and PM resources for the first phase and are built into the startup costs indicated in the costing sheet.
- Actual State savings is based upon the Contribution Percentage in the annual cost.

8.3 Funding:

Operational Funding	Year 1	Year 2	Year 3	Year 4	Year 5
State Contribution	43.79%	47.49%	48.99%	50.49%	51.99%
Federal Contribution	54.01%	52.51%	51.01%	49.51%	48.01%
Leahy Federal Contribution Increase	2.20%	0.00%	0.00%	0.00%	0.00%

8.4 Tangible Benefits:

Tangible benefits listed in the attached sheet indicate an overall total cost savings for Federal and State combined operation and implementation cost for PBM of 847,335 for the three years of the base contract. Adding estimated operational cost for the two extension years raised cost savings to 2,283,505 over the five year life of the project. Actual cost savings for the State will amount to 1,253,258 as the State benefits directly from Federal match funds. Internal State staffing remains constant throughout the project with standard 2% increases in loaded salaries per year.

8.5 Intangible Benefits:

Intangible benefits are difficult to ascertain at this point in time, because a mapping of existing functionality to future functionality coupled with business process re-engineering has not been performed as of this IR. Both processes are included in the GHS Project Plan and are planned during the JAD sessions conducted in the first phase of the project. Further iterations of Business Process Re-engineering are also planned to take place as various GHS applications are identified to go-live. GHS has agreed to examine each of the existing business and operational processes to determine if their existing product can increase productivity. GHS has further agreed that if their existing product does not address a particular area of interest for the State that GHS will provide alternatives and options for future development of a solution.

8.6 Costs vs. Benefits:

In general the costs for operating in the proposed contract are less than those experienced under the existing contract; therefore it is readily apparent that the State will benefit from the lowered costs. This new contract with GHS will provide the State of Vermont with enhanced functionality at a lower annual operating cost while including new services such as: a Provider Web Portal and Drug Rebate processing, which do not exist in the current contract with Catamaran. However a full cross mapping of the operational characteristics of the existing system to the new functionality and capabilities and therefore other tangible and intangible savings of the planned system has not been completed as of this IR.

8.7 IT ABC Form Review:

The existing Business Case and Preliminary Lifecycle Cost Analysis documents for this project are inclusive of the entire MMIS project as a whole, therefore Project Team was not able to dissect to provide information specific to PBM. Because of these conditions the documents are not addressed in the report.

8.8 Additional Comments on the Cost Benefit Analysis:

No additional comments on the Cost Benefit Analysis.

9. Impact Analysis on Net Operating Costs

9.1 Tables to illustrate the net operating cost impact.

Operating Costs only	Year 1	Year 2	Year 3	Year 4	Year 5
Existing	6,127,014	6,127,014	6,127,014	6,127,014	6,127,014
Proposed	4,982,829	5,155,796	5,055,468	5,287,372	5,530,485
Savings	1,144,185	971,217	1,071,545	839,641	596,528
Cumulative Savings	1,144,185	2,115,402	3,186,947	4,026,589	4,623,117
State Contribution %	43.79%	47.49%	48.99%	50.49%	51.99%
State Actual Operational Savings based on contribution %	501,038	461,231	524,950	423,935	310,135
State Cumulative Operational Savings based on Contribution %	501,038	962,269	1,487,219	1,911,154	2,221,289

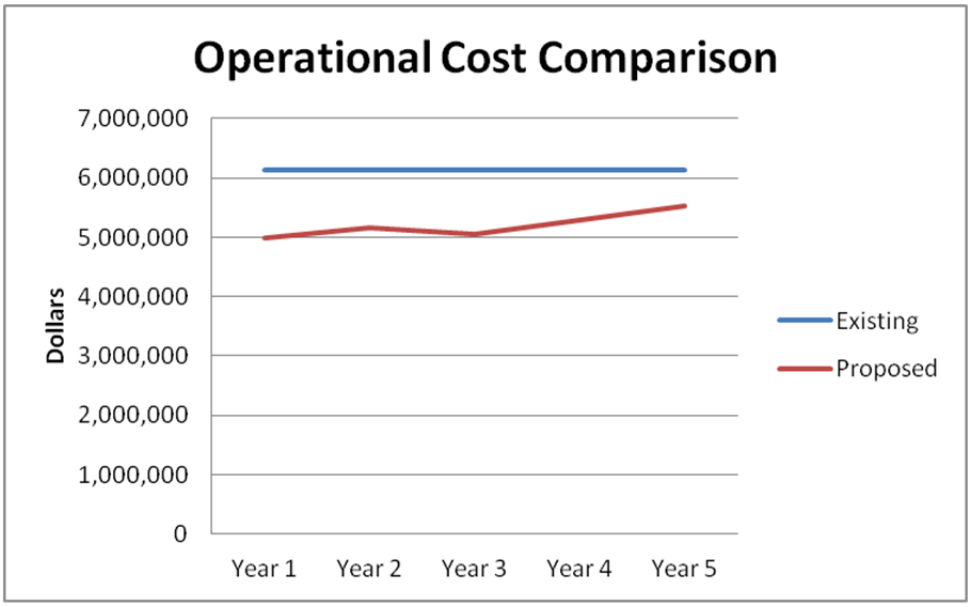
Overall Project Impact	Year 1	Year 2	Year 3	Year 4	Year 5	Overall
Existing Cost	6,127,014	6,127,014	6,127,014	6,127,014	6,127,014	30,635,068
Proposed cost	4,982,829	5,155,796	5,055,468	5,287,372	5,530,485	26,011,950
Savings	1,144,185	971,218	1,071,546	839,641	596,528	4,623,118
Startup Cost	2,339,613					2,339,613
Proposed Total Cost	7,322,442	5,155,796	5,055,468	5,287,372	5,530,485	28,351,563
Cumulative Savings (+ / -)	-1,195,428	-224,211	847,335	1,686,976	2,283,505	2,283,505

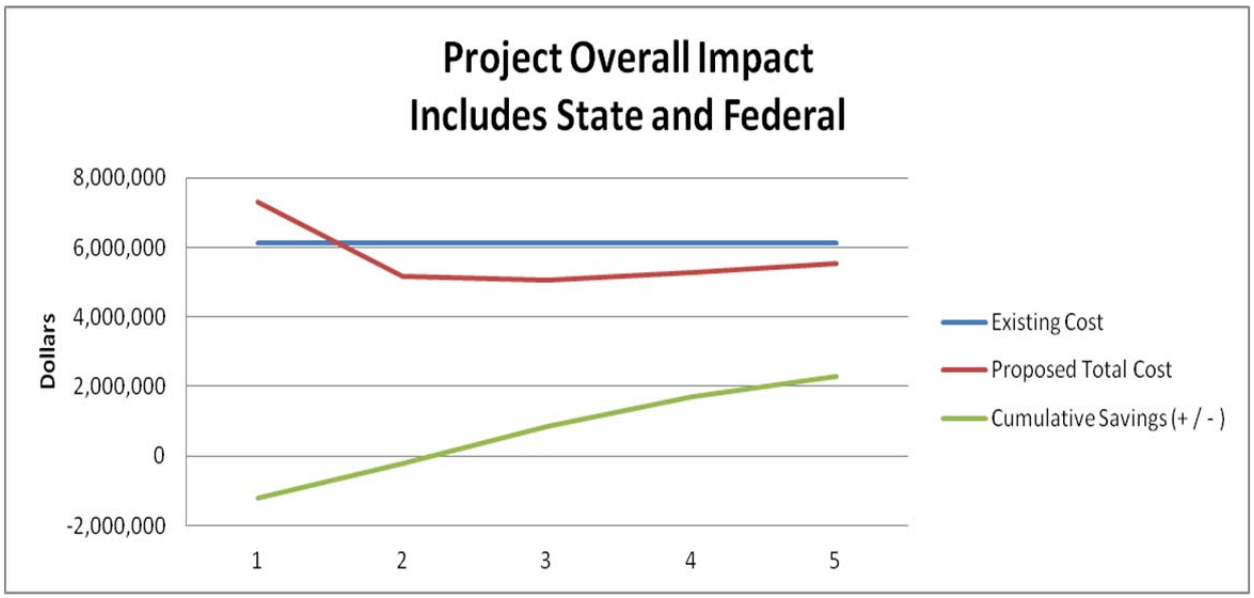
Project Impact - State Funding Only	Year 1	Year 2	Year 3	Year 4	Year 5	Overall
Existing Cost	2,683,019	2,909,719	3,001,624	3,093,529	3,185,434	14,873,325
Proposed cost	2,181,981	2,448,488	2,476,674	2,669,594	2,875,434	12,652,035
Savings	501,038	461,231	524,950	423,935	310,135	2,221,290
Startup Cost	233,961					233,961
Proposed Total Cost	2,415,942	2,448,488	2,476,674	2,669,594	2,875,299	12,885,997
Cumulative Savings (+ / -)	267,077	728,308	1,253,258	1,677,194	1,987,329	1,987,329

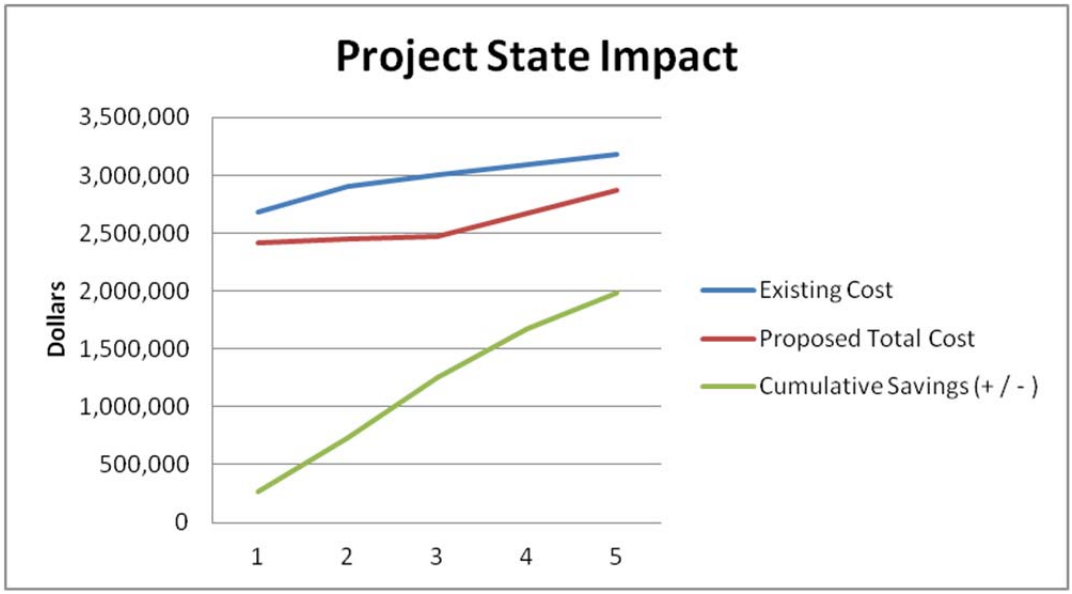
Project Impact - Federal Funding Only	Year 1	Year 2	Year 3	Year 4	Year 5	Overall
Existing Cost	3,443,994	3,217,295	3,125,390	3,033,484	2,941,579	15,761,742
Proposed cost	2,800,848	2,707,308	2,578,794	2,617,778	2,655,186	13,359,915
Savings	643,146	509,986	546,595	415,707	286,393	2,401,652
Startup Cost	2,105,652					2,105,652
Proposed Total Cost	4,906,500	2,707,308	2,578,794	2,617,778	2,655,186	15,465,566
Cumulative Savings (+ / -)	-1,462,506	-952,519	-405,924	9,783	296,176	296,176

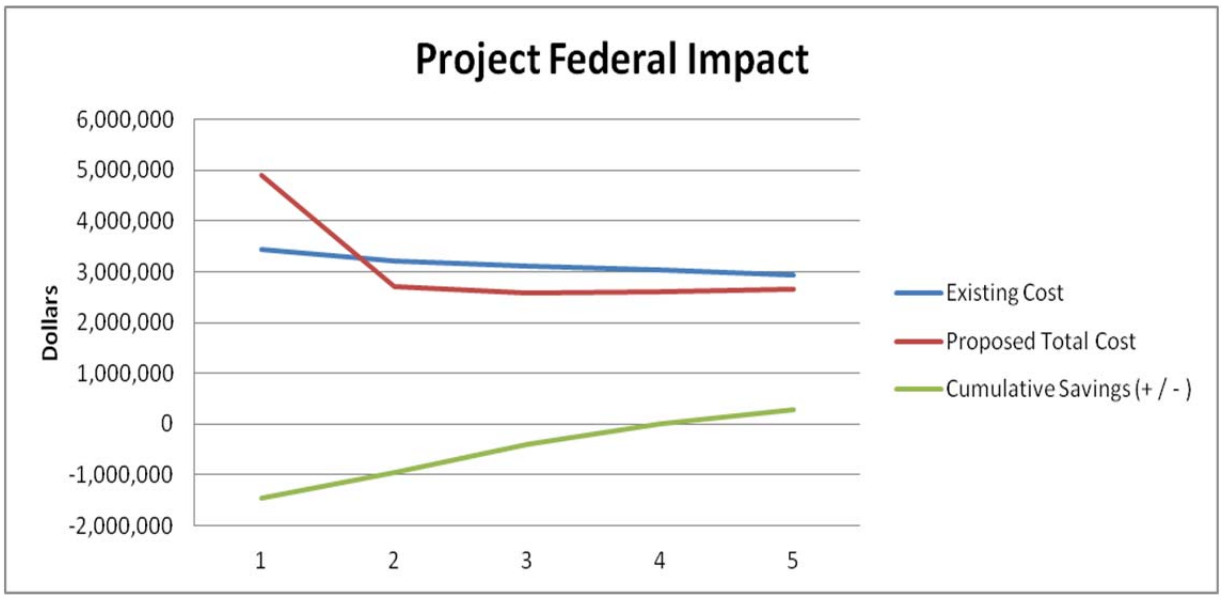
9.2 Table to illustrate the Contribution Costs.

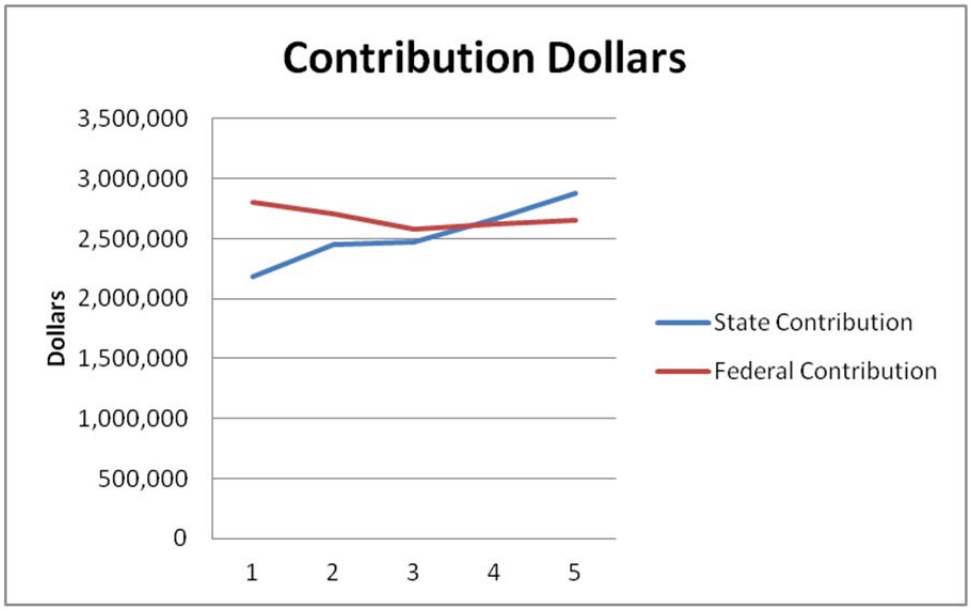
	Year 1	Year 2	Year 3	Year 4	Year 5
State Contribution	43.79%	47.49%	48.99%	50.49%	51.99%
Federal Contribution	54.01%	52.51%	51.01%	49.51%	48.01%
Leahy Federal Contribution Increase	2.20%	0.00%	0.00%	0.00%	0.00%
State Contribution	2,415,942	2,448,488	2,476,674	2,669,594	2,875,299
Federal Contribution	4,906,500	2,707,309	2,578,794	2,617,778	2,655,186




Project Overall Impact
Includes State and Federal
8,000,000
6,000,000
4,000,000
2,000,000
0
-2,000,000
Dollars
1
2
3
4
5
Existing Cost
Proposed Total Cost
Cumulative Savings (+ / -)


Project State Impact
3,500,000
3,000,000
2,500,000
2,000,000
1,500,000
1,000,000
500,000
0
Dollars
1
2
3
4
5
Existing Cost
Proposed Total Cost
Cumulative Savings (+ / -)


Project Federal Impact
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
0
-1,000,000
-2,000,000
Dollars
1
2
3
4
5
Existing Cost
Proposed Total Cost
Cumulative Savings (+ / -)


Contribution Dollars
3,500,000
3,000,000
2,500,000
2,000,000
1,500,000
1,000,000
500,000
0
Dollars
1
2
3
4
5
State Contribution
Federal Contribution

9.3 Provide a narrative summary of the analysis:

In order to perform a reasonable cost analysis between the GHS proposal the existing vendor, it must be assumed that a renegotiation of a contract with Catamaran would result in somewhat higher cost than those being experienced in 2014. For the sake of this analysis, a modest 5% increase in annual operating cost is to be expected for the next three years.

By the end of the first three years covered by the base GHS contract, total operational costs plus initial startup costs will result in an overall cost savings for the entire PBM project of 847,335 which include 2,339,613 of start-up costs taken in year one. If the lifecycle is extended to include estimates (based on stated assumptions) for the optional extension years, the overall cost savings go up to 2,283,505.

The State can expect steadily increasing costs for operation over the lifecycle of the contract due of anticipated declining Federal participation at a rate of approximately 1.5% per year after year 1 of the project. The State can expect an actual overall operational cost saving over the life of the project of 1,987,329 based upon the State contribution percentage and the Federal enhanced funding for the Start-up.

9.4 Explain any net operating increases that will be covered by federal funding.

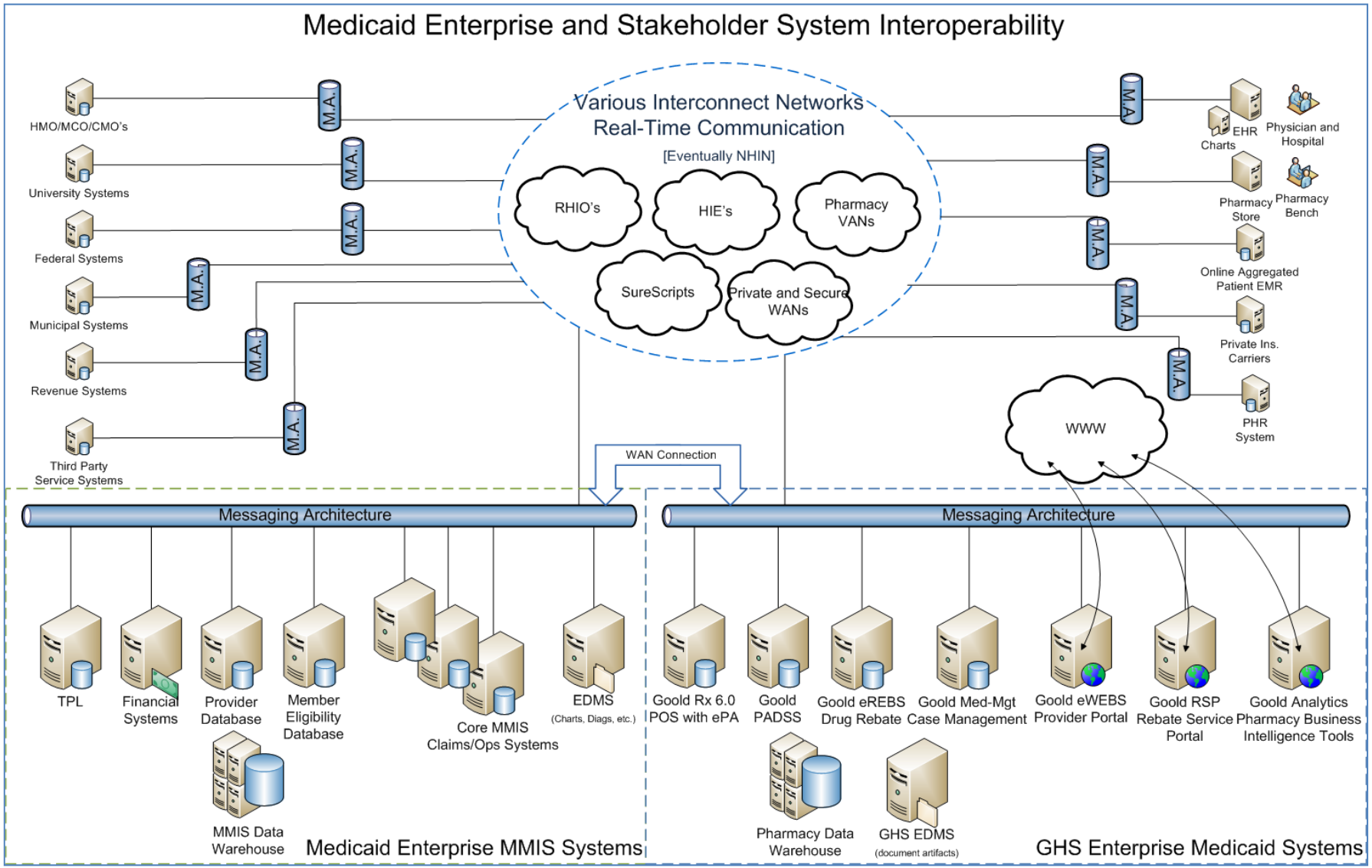
The State will likely experience a steadily increasing operational cost burden over the lifecycle. This is due to the loss of a time-limited Federal enhancement that ends 12/31/15. Furthermore the State base FMAP has steadily declined over the past 7 years. The federal participation rate is directly tied to the economy and therefore states are impacted by such. Since Vermont's experience is not volatile (like many other states), the practical reality is that when the national economy is bad, Vermont actually gets a reduction in FMAP. When the economy shows a boom, Vermont gets more money. In most recent years, the State has experienced close to a 1%-1.5% reduction annually. This is reflected in the Federal and State participation rates in the charts.

9.5 What is the break-even point for this IT Activity?

Based on the assumptions outlined in section 8.2 above, actual OVERALL break even, or Return on Investment (ROI) will occur in month 33 of this contract.

Because of startup Enhanced Federal Funding of 90% Federal and 10% State to fund the Implementation costs and a Federal match rate starting at 54.01% for operational costs, the State should experience an immediate cost savings beginning in Year 1 of the project, which also considers the State portion of the Startup Costs. This is caused by an overall lower cost of approximately $850,000 per year to the State when compared to the current vendor. If at least one of the extension years is adopted, with the assumptions listed in section 8.2, the Federal breakeven point will occur by the end of the fourth year.

Attachment 1 - Illustration of System Integration



Attachment 2 – PBM Risk Register

Risk ID #	Source of Risk	Risk Description	Negative Impact	Probability	Overall Rating	State Planned Risk Strategy	State Planned Risk Response	Risk Response Timing	Reviewers Additional Comments	IR Review Status
24	VT Financial	FUNDING: A large portion of this project hinges on Federal Funding. Risk to departmental budget if Federal funding changes.	Med	Med	Med	Mitigate	For ongoing operating, these costs are funded with a Global Commitment dollar which is a blend of Federal and State. It is based on an ever-changing federal participation schedule. For SFY '14, this figure is 43.56% State / 56.44% Federal. The Federal share value changes every Federal fiscal year. For SFY '15, the new values are 43.51% / 56.49%. Changes to State contribution are minimally at risk with 1.5% decrease calculated per year. See costing sheets.	Monitor throughout project		Completed
25	VT Financial	Funding not secured: CMS funds 90% of DDI with the State providing 10%. Risk exists because funding is based upon the State receiving Certification of the system.	Med	Low	Med	Mitigate	State has been in communication with the federal partners regarding use of the 90/10 funding. At this time, the State does not anticipate needing to take on more burden than the required 10% match for DDI efforts assuming all systems we implement will be certifiable. The State has committed to working closely with CMS to ensure that we are building/implementing the system(s) consist with how our funding has been awarded and to the standards we are required to meet.	Prior to contract	Mitigation from Shawn Benham	Completed

Risk ID #	Source of Risk	Risk Description	Negative Impact	Probability	Overall Rating	State Planned Risk Strategy	State Planned Risk Response	Risk Response Timing	Reviewers Additional Comments	IR Review Status
32	VT PM	Risk of State manpower availability to meet GHS project schedule. Concern about availability of State resources and their time dedication to the project / ability to make decisions concerning Rules, Data, Policy and participate in JAD sessions. Project schedule expects kickoff the first week of May with JAD sessions beginning the first week as well. Risk exists that State personnel will not be available to meet the schedule demands. GHS plans for immediate availability of State staff to complete the project on schedule. Risk exists because participation of State personnel and their availability is not defined.	Med	Med	Med	Mitigate	When time and staffing demand from GHS is available; if any additional resources are required they will be addressed as risks and managed	Monitor throughout project		Completed
35	VT PM	Risk exists because Catamaran staff needed for JAD sessions not identified.	Med	Low	Med	Mitigate	Will be identified and addressed during the planning phase by SoV and GHS PM.	During Initiation Phase		Completed
1	GHS PM	Project Plan not iterated beyond initial level. Risk is present that further detailed discussions or JAD sessions will identify areas of Scope change that require schedule compression or expansion.	Low	Low	Low	Mitigate	GHS delivered a preliminary Project Plan but iteration to a level necessary for adequate planning is not complete. After Contract signature this plan will be further iterated and greater granularity will be added. Project plan is scheduled for base lining by 5/26 after acceptance of WBS and Schedule.	During Initiation Phase		Completed

Risk ID #	Source of Risk	Risk Description	Negative Impact	Probability	Overall Rating	State Planned Risk Strategy	State Planned Risk Response	Risk Response Timing	Reviewers Additional Comments	IR Review Status
2	GHS PM	Interfacing: multiple untested interfaces: ACCESS/Integrated Eligibility, HSE Platform, Existing and replacement MMIS. In batch and real time. Because these interfaces are yet undefined and proven, risk is present that the schedule will need to change	Med	Low	Low	Mitigate	GHS project plan calls for Interface Review and Design to begin 6/5 and end 6/14 with testing to begin on 8/13 and end by 8/27. Final Interface report to be provided by 8/29.	During JAD sessions		Completed
3	GHS PM	State availability of SOA and use by vendor is not complete or defined at the time of the IR. Risk exists that the SOA will require additional time to implement due to lack of completion prior to project start.	Low	Low	Low	Mitigate	Most data transfer happens between Vendors with minimal between the Vendor and the State. Current process of Encrypted File Transfers will continue until SOA is operational. RFP indicates that SOA will be implemented in conjunction with MMIS planned for completion by December 2016. Implementation and Testing of these assets will be built into the GHS Project plan as they are identified.	Monitor throughout project		Completed
4	GHS PM	Concern raised about Vendor resources to complete the transition in time. If GHS staff is not available to maintain the project plan, the schedule will slip.	Low	Low	Low	Mitigate	Vendor indicates that multiple resources are available. In addition another similar project will be ending during this project and make additional resources available if needed. The Goold POS Team has an established professional relationship with one of the country's largest and most experienced technical staff augmentation firms. It is through this relationship that we can assure the Department that all necessary technical resources will be deployed should any unforeseen technical or logistical issues arise.	Monitor throughout project		Completed
5	GHS PM	GHS opening a new call center in VT. Staffing, training, escalation procedures not shown in Preliminary Project Plan. Risk exists that staffing will not be available, trained, thereby limiting the response of the help desk.	Low	Low	Low	Mitigate	GHS plans for 4 Technicians and 4 additional staff. GHS is reaching out to Pharmacy organizations for local staff to fill positions in VT call center.	Monitor throughout project		Completed

Risk ID #	Source of Risk	Risk Description	Negative Impact	Probability	Overall Rating	State Planned Risk Strategy	State Planned Risk Response	Risk Response Timing	Reviewers Additional Comments	IR Review Status
6	GHS PM	State's expectation that, to the extent possible and appropriate, the procured solution will leverage the investments the State has made, either through reuse of technologies already owned, or through use of Web services available in the Oracle-based SOA-compliant HSE Platform. Risk exists that these leverages will not happen to the expectations of the state and create future escalation.	Low	Low	Low	Mitigate	GHS indicates a willingness to "work with" the State to utilize these assets; however no plan is in place. This will be worked through during JAD sessions.	Monitor throughout project		Completed
7	GHS PM	Access to PII / PHI over Web Portal? Risk exists that Web Portal access will open access to PHI or PII information.	Med	Low	Low	Mitigate	Web portal applications use secure sign-on, authentication, and password management that is compliant with federal and state security and privacy requirements. GHS employs standard authentication systems such as Active Directory (AD) and Lightweight Directory Access Protocol (LDAP) in each application. Role based security limits access to minimum necessary and all sensitive data is encrypted using industry-standard and compliant encryption methods. Applications are monitored using proactive triggers that alert administrators of real or potential integrity issues. If the State wishes to limit access or disable certain features within the applications that is also possible.	Monitor throughout project		Completed
8	GHS PM	GHS to purchase Hardware for environment. Hardware necessary for the installation of multiple environments is not owned by GHS at the time of the IR. Purchase lead times may affect the operational environments needed to maintain the project schedule.	Low	Low	Low	Mitigate	GHS indicates they are ready for the development environment and hardware for production and testing environment will be ordered at contract signature with limited schedule risk for delivery	During Initiation Phase		Completed
9	GHS PM	If the Project schedule at risk: Can GHS E- Web Provider Portal be deferred if needed to assist with implementation schedule	Low	Low	Low	Accept	Not required for day 1 go live. GHS E-Web Provider Portal can be deferred if needed to assist with implementation schedule. Minimal project impact.	Monitor throughout project		Completed

Risk ID #	Source of Risk	Risk Description	Negative Impact	Probability	Overall Rating	State Planned Risk Strategy	State Planned Risk Response	Risk Response Timing	Reviewers Additional Comments	IR Review Status
10	GHS PM	If the Project schedule at risk: Can Decision Support System be deferred if needed to assist with implementation schedule.	Low	Low	Low	Accept	Not required for day 1 go live. Decision Support System can be deferred if needed to assist with implementation schedule. Minimal project impact.	Monitor throughout project		Completed
11	GHS PM	State updates or delta changes to interface files create exceptions, not identified in project plan. Risk exists that deltas in data will create exceptions that are not yet identified and will require specific coding or rules to correct.	Low	Low	Low	Mitigate	JAD sessions to address.	During JAD sessions		Completed
12	GHS PM	Risk exists because the existing Vendor transition plan is not complete. Thereby leaving open multiple issues like inter agency communications, data types, transmission, data purging, etc. Specified contact plan for communication management between GHS and Catamaran is not identified. Without a formal communications plan risks will arise. GHS plan calls for receiving the existing data in either a fixed field flat file or delineated ASCII push, however they have not been provided a sample of the files. Risk exists that GHS will not be able to readily import the data and require additional time to complete the conversion.	Med	Low	Low	Mitigate	GHS project plan calls for creation of communication management plan during initiating phase. GHS has a separate tool used for data integration, which should assist in accommodation of formats available from the state. GHS project plan calls for Interface Review and Design to begin 6/5 and end 6/14 with testing to begin on 8/13 and end by 8/27. Final Interface report to be provided by 8/29.	During Initiation Phase		Completed
13	VT Business	Existing SLA or MOU between DVHA and DII not updated to reflect changes with new system. Specifically addresses the services provided to DHVA by DII. Risk exists that the services needed by DVHA will be additional charge or require more DII staff that are outside the project financials.	Low	Low	Low	Mitigate	DVHA will review SLA with DII during the Initiation phase and adjust as needed.	During Initiation Phase		Completed

Risk ID #	Source of Risk	Risk Description	Negative Impact	Probability	Overall Rating	State Planned Risk Strategy	State Planned Risk Response	Risk Response Timing	Reviewers Additional Comments	IR Review Status
14	VT Business	New solution provides for automation of currently manual tasks. Because the current to future process map is not complete, risk exists that manual process may continue thereby changing the personnel needed to perform these tasks and thereby changing the financials.	Low	Low	Low	Mitigate	GHS project plan calls for a mapping of current to future processes to be included in the beginning phases of the project.	Monitor throughout project		Completed
15	VT Business	GHS describes a period of a "Black out" when transactions will be shut down for the final go-live. Period expected to be over a weekend. Risk that users will be locked out of the system and customer satisfaction will suffer.	Low	Low	Low	Mitigate	GHS project plan calls for multiple communications with the pharmacies and ensuring they are aware of the implementation and transition plan. Pharmacy can operate in a manual "off-line" mode until the system comes on line, then submit.	Monitor throughout project		Completed
16	VT Business	Risk to beneficiaries with any failures of the new system.	Low	Low	Low	Mitigate	GHS indicates the risk to beneficiaries is minimal as the systems is performing authorizations and not dispensing. Ultimate responsibility for human concern falls to the pharmacy.	Monitor throughout project		Completed
17	VT Business	PM is newly appointed. Knowledge Transfer is at risk. PM has changed 3 times since inception.	Low	Low	Low	Mitigate	Previous PM's are available for follow-up.	Monitor throughout project		Completed
18	VT Business	AHS PMO / Execution Manager is n e w l y appointed. Risk associated to lack of operational knowledge.	Low	Low	Low	Mitigate	VT Primary PM will be maintaining frequent updates to the Execution Manager who is part of the escalation path.	Monitor throughout project		Completed
19	VT Business	HSE Program Manager is newly appointed. Risk associated to lack of operational knowledge.	Low	Low	Low	Mitigate	VT Primary PM will be maintaining frequent updates to the HSE Program Manager who is part of the escalation path.	Monitor throughout project		Completed
20	VT Business	SLA with GHS not defined to include what is to be monitored: statistics. Risk exists that expectation of performance will not be met as they are not defined upfront.	Low	Low	Low	Mitigate	From the contract: During this phase, Contractor shall configure the system to satisfy both Functional and Non-Functional Requirements	During JAD sessions		Completed

Risk ID #	Source of Risk	Risk Description	Negative Impact	Probability	Overall Rating	State Planned Risk Strategy	State Planned Risk Response	Risk Response Timing	Reviewers Additional Comments	IR Review Status
21	VT Business	Contract Termination Terms not finalized for either party. Risk for contract start date due to continuing negotiations.	Low	Low	Low	Mitigate	Language for this is in the contract was reviewed with the AG and DHVA attorneys yesterday. They agree it is acceptable. Contract Start date- Negotiations other than what this review might add are complete as of 4/17/14. Start date is now pending completion of this review and CMS.	Prior to contract		Completed
22	VT Business	Data Retention / Purging policy not finalized. Risk exists for loss of data without a defined plan.	Low	Low	Low	Mitigate	GHS has agreed to the compliance requirements which specify data retention.	During JAD sessions		Completed
23	VT Business	GHS total system unavailable, risk to users?	Low	Low	Low	Mitigate	State Business indicates minimal impact as the pharmacies would fill prescriptions normally, then when system becomes available, pharmacies would enter claims data for adjudication.	Monitor throughout project		Completed
26	VT Financial	3% service fee for DII provides guidance and support of business initiatives so they align with State IT strategy for Licenses, Applications, Processes, Systems, and PM oversight. Risk exists that additional services will be required outside of the current financial plan.	Low	Low	Low	Mitigate	DII costing is captured PM costs associated specifically with PBM – oversight is not calculable for PBM directly, and if it was, it would be immaterial – the MMIS replacement project in entirety has a very low cost to date for DII oversight (a few hours of Tim Holland's time). You have captured all that can be allocated directly to PBM – most other MMIS costs would have been incurred anyway given Core & Care procurements.	Monitor throughout project	Mitigation from Shawn Benham	Completed
27	VT PM	Risk exists due to lack of full transition plan with existing vendor. What happens to the data on the existing vendor HW after the transfer?	Med	Low	Low	Mitigate	Will be identified on the project risk register and managed as a risk. It will be elevated to an issue when appropriate.	During Initiation Phase		Completed
28	VT PM	Risk exists because existing application licenses may no longer be used with the new system. Failure to properly cancel existing licenses or support could impact the financials. Need plan for their retirement, decommissioning, data transfer.	Low	Low	Low	Mitigate	This will be addressed during the deployment planning.	During Initiation Phase		Completed

Risk ID #	Source of Risk	Risk Description	Negative Impact	Probability	Overall Rating	State Planned Risk Strategy	State Planned Risk Response	Risk Response Timing	Reviewers Additional Comments	IR Review Status
29	VT PM	Desktop environment will change with the new system. Risk is present because the plan for removal of applets that are no longer needed is not identified thereby creating additional financial expense or orphaned applications.	Low	Low	Low	Mitigate	This will be addressed during the deployment planning.	During Initiation Phase		Completed
30	VT PM	Risk exists that the contract does not contain the GHS Software Source Code Escrow specifications.	Low	Low	Low	Accept	Risk is limited because this is a Hosted Environment that if the Vendor goes away, the State is likely to find another vendor rather than try to operate the code on their own.	Prior to contract		Completed
31	VT PM	Risk exists because a plan to utilize Independent 3rd Party Project Oversight not confirmed. Will State be using external services for monitoring?	Low	Low	Low	Accept	Per Stephanie Beck- It is not essential for PBM to have an IV&V vendor for the start of the contract because they are more of a service provider.	During Initiation Phase		Completed
33	VT PM	VT Project schedule not built out. Risk exists that the project schedule will affect the planned implementation schedule.	Low	Low	Low	Mitigate	Project schedule will be built out with GHS during the Initiation Phase. Initial meetings regarding Plan between State PM and GHS PM have taken place with additional weekly planning sessions scheduled beginning the week of April 15.	During Initiation Phase		Completed
34	VT PM	Risk exists because GHS change management is comprised of a manual system with manual signatures required on forms, then scan or fax. Tracking is performed via Excel sheet. Loss of changes is possible due to manual system.	Low	Low	Low	Mitigate	All efforts to follow an efficient process will be made. The GHS PM & VT PM will ensure that modifications are made as needed to ensure proper operation.	During JAD sessions		Completed
36	VT PM	Risk exists because of possible miss to May 1 Contract Start Date.	Low	Low	Low	Mitigate	GHS indicates a start date of June 1 is possible with adjustments to scope components available on Go-Live. Beyond June 1 will result in significant scope impact. Contract agreement has been reached between GHS and State. Approval from CMS is pending.	During Initiation Phase		Completed
37	VT PM	PM Escalation path not defined. Risk exists without a defined escalation path.	Low	Low	Low	Mitigate	Will be identified in the initiation phase by the SoV PM.	During Initiation Phase		Completed
38	VT PM	Risk exists because GHS operational rules not identified.	Low	Low	Low	Mitigate	To be gathered during JAD sessions.	During JAD sessions		Completed

Risk ID #	Source of Risk	Risk Description	Negative Impact	Probability	Overall Rating	State Planned Risk Strategy	State Planned Risk Response	Risk Response Timing	Reviewers Additional Comments	IR Review Status
39	VT PM	Risk exists because State's Preferred Drug List not identified to GHS.	Low	Low	Low	Mitigate	To be gathered during JAD sessions.	During JAD sessions		Completed
40	VT PM	Risk exists because GHS is expecting State to provide: MMIS member eligibility file, Third party Liability file, Provider file, Prescriber file. State has not verified that it is planning to deliver the same files. All to be batch sent for startup.	Low	Low	Low	Mitigate	To be gathered during JAD sessions.	During JAD sessions		Completed
41	VT PM	Risk exists because GHS is planning to send Adjudicated claim file daily or weekly to State. State has not confirmed the delivery schedule.	Low	Low	Low	Mitigate	To be gathered during JAD sessions.	During JAD sessions		Completed
42	VT PM	Risk exists because GHS has preferred file format for transmission to State, but State has not verified the format.	Low	Low	Low	Mitigate	Verify acceptable during JAD sessions.	During JAD sessions		Completed
43	VT PM	Risk exists because Business Process Re- engineering not specifically addressed with new system.	Low	Low	Low	Mitigate	JAD sessions to address	During JAD sessions		Completed
44	VT PM	Risk exists because GHS expects a VPN or Citrix client may be needed to allow State access secure areas of the GHS solution, State has not accepted this responsibility. May represent financial or schedule impact.	Low	Low	Low	Mitigate	JAD sessions to address	During JAD sessions		Completed
45	VT PM	Risk exists because the leveraging of single sign-on and other existing HSE platform services to be utilized are not identified. Risk includes scope creep and missed expectations.	Low	Low	Low	Mitigate	GHS indicates a willingness to "work with" the State to utilize these assets; however no plan is in place. This will be worked through during JAD sessions.	Monitor throughout project		Completed
46	VT Technical	Risk exists because the Bandwidth impacts on State and Wan networks are not defined: Between State and GHS, MMIS provider, and Pharmacy provider network. No plan to identify the increase and to verify it is within capabilities.	Low	Low	Low	Accept	Information from GHS indicates minimal impact as most traffic happens with batch file transfers, after hours.	During Testing		Completed

Risk ID #	Source of Risk	Risk Description	Negative Impact	Probability	Overall Rating	State Planned Risk Strategy	State Planned Risk Response	Risk Response Timing	Reviewers Additional Comments	IR Review Status
47	VT Technical	Risk exists because State SOA not fully architected. Utilization of an unperfected architecture may create issues during implementation. Should include redundant capabilities within the architecture.	Low	Low	Low	Accept	"Planned" to be implemented by System Integrator once services are specified.	Monitor throughout project		Completed
48	VT Technical	Risk exists because GHS DR site not specified. 4 locations available.	Low	Low	Low	Mitigate	Appendix I page 94 under Operations Requirements there are requirements related to DR/BC for the production system to be mirrored for a hot failover among others. As part of the testing of this and the DR/BC plans that will be drawn up during DDI we will be specifying the testing schedule for the two selected sites this will be in addition to archival backups that will be required and detailed.	During Initiation Phase		Completed
49	VT Technical	Risk exists because Production site not specified. 4 locations available.	Low	Low	Low	Mitigate	Appendix I page 94 under Operations Requirements there are requirements related to DR/BC for the production system to be mirrored for a hot failover among others. As part of the testing of this and the DR/BC plans that will be drawn up during DDI we will be specifying the testing schedule for the two selected sites this will be in addition to archival backups that will be required and detailed.	During Initiation Phase		Completed

Risk ID #	Source of Risk	Risk Description	Negative Impact	Probability	Overall Rating	State Planned Risk Strategy	State Planned Risk Response	Risk Response Timing	Reviewers Additional Comments	IR Review Status
50	VT Technical	Risk exists because the need for independent or internal Penetration Testing not specified in contract.	Low	Low	Low	Avoid	State feels this is identified in Agency Attachment F in this contract on page 124 section 11. It is also covered on page 84 Appendix I Regulatory and Security within the NIST requirements. As such the State is satisfied with the plan.	During JAD sessions	Contract page 124 section 11 does not specifically address this question, however the reference to NIST 800-53 provides general guidelines to this subject without specifically calling for this type of testing: From NIST 800-53 Rev 3 " The organization includes as part of security control assessments, [Assignment: organization-defined frequency], [Selection: announced; unannounced], [Selection: in-depth monitoring; malicious user testing; penetration testing; red team exercises; [Assignment: organization-defined other forms of security testing]]." If the State is satisfied with this reference and not specifically calling out the requirement, we will indicate this in the register and close the risk.	Completed
51	VT Technical	Risk exists because Data Retention policy not finalized.	Low	Low	Low	Mitigate	Retention has been specified in requirements in the contract. The overall term of retention for the claims processing areas (POS) is five years. Rebate area retention will be from the point of historical data load until the term of the contract. Other retention policies will be detailed with the DDI phase.	During Initiation Phase		Completed
52	VT Technical	Risk exists because the Data backup policy not finalized.	Low	Low	Low	Mitigate	GHS has agreed to the compliance and NIST requirements which specify data retention.	During Initiation Phase		Completed

Risk ID #	Source of Risk	Risk Description	Negative Impact	Probability	Overall Rating	State Planned Risk Strategy	State Planned Risk Response	Risk Response Timing	Reviewers Additional Comments	IR Review Status
53	VT Technical	An issue exists because the interface between GHS and VISION was not in the RFP and therefore is not part of the existing contract.	Low	High	Low	Mitigate	State team working to identify the file structure and communicate it to GHS for acceptance. The existing capabilities of GHS to output data files has already been identified, therefore it is believed that this requirement, while not in the contract will be minimal impact on the overall agreement. Furthermore, the interconnection is depicted in Attachment 1 Illustration of System Integration.	During Initiation Phase		Completed

Attachment 3 – Lifecycle Cost Benefit Analysis

Current V/S Future Costs	Current Solution	Proposed Solution							
			Initial Contract Period			Two Estimated Extension Years			
DECSRIPTION	Current Year FY 14	Implementation Costs	Year 1	Year 2	Year 3	Year 4	Year 5	5 Year Operational Costs	5 Year + Start-Up Costs
Implementation / Configuration		1,918,776							1,918,776
Contingency (Budget for Unanticipated Tasks)		110,048	113,349	116,749	120,252	126,264	132,578	609,192	719,240
BPM PROGRAMS									
Claims Processing and Operational Support	1,461,524		1,243,053	1,289,683	1,252,779	1,315,418	1,381,188	6,482,121	6,482,121
Clinical Program Management and Support	1,535,436		1,103,680	1,146,248	1,104,065	1,159,269	1,217,232	5,730,494	5,730,494
Financial Support Services	1,207,810		689,330	715,974	689,170	723,628	759,810	3,577,911	3,577,911
Medication Therapy Management Program-Medicaid			425,000	437,750	450,883	473,427	497,098	2,284,157	2,284,157
Sub Total of Operational Costs	**4,204,770**	**2,028,824**	**3,574,411**	**3,706,405**	**3,617,148**	**3,798,005**	**3,987,906**	**18,683,875**	**20,712,699**
VT STATE STAFFING									
Health Program Administrator	75,602		75,602	77,114	78,656	80,229	81,834	393,436	393,436
Health Program Administrator	108,264		108,264	110,429	112,638	114,891	117,188	563,410	563,410
Pharmacy Project Administrator	91,122		91,122	92,944	94,803	96,699	98,633	474,203	474,203
Health Program Administrator	69,196		69,196	70,580	71,992	73,431	74,900	360,099	360,099
Principal Assistant	160,862		160,862	164,079	167,361	170,708	174,122	837,132	837,132
Partial use of FTE for Rebates 20% FTE (BA)			10,501	10,711	10,925	11,144	11,367	54,648	54,648
Startup PM Services Contracted (DESAI @ 25% Utilized)		62,400							62,400
Startup PM Services Internal (@ 100% Utilized)		101,893							101,893
Subtotal of Staff Costs	**505,046**	**164,293**	**515,547**	**525,858**	**536,375**	**547,103**	**558,045**	**2,682,927**	**2,847,220**
OTHER COSTS									
Program Indirect Costs (such as space, IT, supplies, etc.) Associated With Staff Directly Assigned to the Pharmacy Unit($5K per FTE)	25,000		26,000	26,000	26,000	26,000	26,000	130,000	130,000
DII Costs to Support PBM:	126,143		107,232	111,192	108,514	113,940	119,637	560,516	560,516
DVHA Indirect Costs (such as Business Office, Policy, Commissioner's Office, etc.): (20% of total cost, Salaries, Operating)	974,292		759,638	786,341	767,431	802,324	838,898	3,954,632	3,954,632
Gartner RFP and Scoring assistance		126,667							126,667
PBM Staff Training		19,829							19,829
Subtotal of Other Costs	**1,125,435**	**146,496**	**892,871**	**923,533**	**901,945**	**942,264**	**984,535**	**4,645,149**	**4,791,644**
Total Costs	**5,835,251**	**2,339,613**	**4,982,829**	**5,155,796**	**5,055,468**	**5,287,372**	**5,530,485**		
Contributions								**26,011,951**	
State Contribution for FY 14 43.56%	2,541,835								28,351,564
Federal Contribution for FY 14 56.44%	3,293,416								
State Contribution for Startup costs 10%		233,961							
Enhanced Federal Contribution for Startup costs 90%		2,105,651							
State Contribution			43.79%	47.49%	48.99%	50.49%	51.99%		
Federal Contribution			54.01%	52.51%	51.01%	49.51%	48.01%		
Leahy Federal Contribution Increase			2.20%	0.00%	0.00%	0.00%	0.00%		
State Contribution			2,181,981	2,448,488	2,476,674	2,669,594	2,875,299	7,107,142	7,341,104
Federal Contribution			2,800,848	2,707,309	2,578,794	2,617,778	2,655,186	8,086,951	10,192,603