

MEMORANDUM

To: Health Connector Board of Directors
Cc: Glen Shor
From: Roni Mansur, Chief Operating Officer
Ed DeAngelo, General Counsel
Date: May 10, 2012
Re: Exchange Transition Project Management Contract Extension

Background

The Health Connector issued a Request for Proposals (RFP) in fall 2011 for the purpose of securing project management assistance associated with the Health Connector's national health care reform transition efforts. That RFP was structured such that respondents were asked to bid on both an initial scope of services and a subsequent scope of services. The services anticipated under each of these phases of work are summarized below.

Initial Scope of Services to be Provided by the Vendor (Phase 1):

- completing a multi-component current state assessment, and recommending an internal organizational governance structure that defines a decision hierarchy and escalation process to facilitate cross workgroup, multi-level decision making;
- establishing a Project Management Office (PMO); and
- developing a "Health Connector 2.0" Roadmap that outlines all activities, deliverables, and outstanding decisions involved in transforming the Health Connector to achieve Affordable Care Act (ACA) compliance and organizational goals set by the Health Connector.

Subsequent Scope of Services to be Provided by the Vendor, if Health Connector Exercises this option (Phase 2):

- maintaining and facilitating the Governance Model;
- executing and operating the PMO; and
- supporting the implementation of the "Health Connector 2.0" Roadmap.

In November 2011, Health Connector staff recommended contracting with Deloitte Consulting, LLP (Deloitte) for the purpose of providing Exchange Transition Project Management Assistance to the Health Connector. The contract term was set to run from November 2011 through June 2012, with the option for two one-year renewals at the sole discretion of the Health Connector. The Board approved the Health Connector's recommendation and authorized the Health Connector's discretion to pursue Phase 2 of this engagement. However, Health Connector staff made clear our intention to return to the Board to report on Deloitte's performance and seek authorization to commence Phase 2, if determined appropriate.

In February 2012, Health Connector staff reported Deloitte had successfully completed all deliverables required under Phase 1. At the February 23, 2012 Board meeting, Health Connector staff sought Board approval to continue the engagement with Deloitte into Phase 2 of the RFP, focused on providing ongoing project management assistance to execute Phase 1 deliverables. The Board approved the Health Connector's recommendation to exercise this option, extending the engagement with Deloitte for an initial period of 14 weeks. The purpose of this memorandum is to provide a summary update on the work completed under Phase 2 and recommend continuation of our engagement with Deloitte to provide continued project management for ongoing Phase 2 planning and implementation.

Completion of Phase 1

Deloitte has successfully completed all deliverables required under Phase 1 of our engagement. Deloitte conducted a multi-component current state assessment by evaluating our existing transition planning and project management capabilities. Building off the findings of their current state assessment, Deloitte also recommended a revised Transition Governance Model, comprising eight work groups and six work threads, generally led by members of the senior team. Finally, to enable work group and work thread leads to appreciate the importance of coordination across this Transition Governance structure, Deloitte created an integrated project plan and a high-level Roadmap. The integrated project plan and Roadmap serve as an important guide for the Health Connector to ensure accomplishment of the major milestones that are necessary for the Health Connector to achieve compliance with the ACA by 2014.

Phase 2 Scope of Services and Accomplishments to Date

Consistent with the Phase 2 scope of services in the initial RFP, Deloitte has provided the needed high-quality project management services during the 14-week period ending in May 2012. Specifically, Deloitte has implemented and operated the Exchange Transition Project Management Office (PMO), including institutionalizing project management processes and tools and developing and disseminating necessary templates which are used to document and track the activities and progress of each work group and work thread. As part of their work in implementing and operating the PMO, Deloitte has performed the following tasks and services:

- implemented a weekly status reporting process by developing and distributing weekly standardized status reports for each workgroup along with a weekly executive dashboard;
- managed the key milestones and dependencies in the roadmap and integrated project plan;
- continued to identify key dependencies and determined impacts of these dependencies on key transition program activities and milestones;
- documented issues, decisions, risks, mitigation strategies and assumptions in a consolidated project management tool; facilitated the process to resolve these items; and
- developed various templates used by work groups and work threads

Deloitte has also facilitated working sessions, meetings and other workgroup activities. They have scheduled and coordinated weekly meetings with the eight workgroups and six work threads as well as owners of milestones and key activities; facilitated bi-weekly Health Connector Advisory Committee meetings; and facilitated workshops to coordinate workgroup activities and the development of key workgroup deliverables.

Finally, Deloitte has integrated and coordinated a number of workgroup activities, including:

- managing transition progress for each workgroup by tracking completion of key activities and deliverables against charters and the integrated project plan (based on the Roadmap);
- coordinating issue resolution and risk management within and across workgroups;
- developing a communication calendar to ensure appropriate communication among internal workgroups and external stakeholders; and
- developing a resource management tool to help manage internal resource allocations

Recommendation to Renew the Deloitte Project Management Assistance Contract

In order to transition to an ACA-compliant Exchange, the Health Connector needs to achieve a number of operational, technological, and policy/legislative milestones within tight timeframes. This must be accomplished while maintaining strong levels of service to our current Commonwealth Care and

Commonwealth Choice customers, and performing our other legal, policy, and programmatic responsibilities.

At the end of the 14-week period, Health Connector staff have determined that continued project management services are needed to support our transition to an ACA-compliant Exchange. Deloitte has demonstrated its value and expertise in constructing the internal Transition Governance Model, establishing the PMO and developing the Roadmap. Nonetheless, we need ongoing project management support to continue to effectuate this structure, employ the PMO tools, and accomplish the milestones identified in the Roadmap. Absent this sustained support, we have concerns that execution of this framework may be hindered given the extent to which staff time is already consumed with current and ongoing programmatic responsibilities.

As such, Health Connector staff recommends extending the current work-order with Deloitte for an additional 16-week period and renewing the underlying contract for the period between July 1, 2012 and June 30, 2013. This will enable Deloitte to continue to provide highly needed project management support to the Health Connector.

Summary: Key Terms of Engagement

The original contract term with Deloitte was from November 2011 to June 2012. Under that contract, we have had a number of work orders with Deloitte as we transitioned from Phase 1 to Phase 2 (as described above). The work orders govern the specific staffing levels provided by Deloitte during the time periods they cover and the actual costs of those services to the Health Connector.

We are proposing to (i) extend our current work order with Deloitte for 16 weeks, so that it will run through early September; and (ii) renew the underlying contract with Deloitte for one year, as expressly provided for under the original contract. This will give us the flexibility to retain Deloitte's services through the completion of the current (extended) work order and then for subsequent time blocks during state fiscal year 2013 as needed.

While the underlying contract sets a ceiling for the rates charged by Deloitte, the work orders determine actual amounts charged, and those charges have been less than the maximum amount authorized by the contract. With the extension of the current work order, we expect that Deloitte's project management services will cost approximately \$200,000 per month over the next four months. Costs beyond that will be determined based on the details of, and negotiations over, subsequent work orders (limited by the contractual ceiling on rates). Please note that the Health Connector retains discretion in subsequent work orders to adjust staffing levels in light of changing needs, and can even subsequently forego the use of Deloitte's services for any reason (though this is not anticipated).

The Health Connector funded Phase 1 of its engagement with Deloitte with federal resources provided through an Exchange Planning Grant (total grant was \$1M; it also funded our engagement with Manatt-Mercer). We have also received \$11.6 million in our subsequent federal Level 1 Exchange Establishment grant, of which \$1.674 million was allocated for project management assistance. We are using these federal funds to pay for our engagement with Deloitte. We intend to apply for additional federal Exchange Establishment grant funding to, among other things, pay for any project management costs that were not covered by our Level 1 grant. The overall contract with Deloitte can be cancelled if sufficient federal resources are not made available to pay for it.