



FINANCE & OPERATIONS COMMITTEE

November 28, 2016

hCentive contract

hCentive and C4HCO are in the final stages of negotiating a revised contract

New contract does the following:

- Reduces costs by \$300-500k per year for next two years
- Provides C4HCO IT management additional control over priorities, workflow, staffing and quality
- Allows team plan over a 12 month horizon rather than focusing on the next Open Enrollment
 - Prevents 5-month project planning and funding scrambles
 - Facilitates quality improvements and productivity
- Provides substantial flexibility in the case of fundamental business shifts for C4HCO

Highlights of the proposed contract

Highlight	Implication / rationale for C4HCO
Eliminates current Maintenance and Operation and Maintenance and Support contracts	<ul style="list-style-type: none"> • Significant cost savings • C4HCO did not consider the M&S contract good value for money
24-month contract that can be terminated after 18 months in the event of there being no public individual open enrollment for plan year 2018	<ul style="list-style-type: none"> • Supports strategic planning and direction shifts i.e. is within period by which we could feasibly make a change to our enrollment platform • C4HCO foresees the need to support an hC individual and SHOP platform for at least 2 years • Due to the need for enrollment change retroactivity, tax reporting, system decommissioning and data migration, we would need hC resources for ~6 months after the end of a plan year
Provides a fixed capacity team of 8 design, development, test FTEs plus 1 Project Manager	<ul style="list-style-type: none"> • Provides a similar level of capacity to enhance the system as was needed in as OE4 in addition to providing the same level of M&O / M&S activities • Gives C4HCO more control over prioritization, organization and workstream management
Can be scaled down to a team of 5 FTEs + PM with 6 months notice	<ul style="list-style-type: none"> • This is considered to be the minimum to maintain “lights-on
Provides a discount of 10%, though this will be clawed back if C4 opts to scale down the team	<ul style="list-style-type: none"> • In most expected scenarios, C4HCO will want to retain the full team. However, in the event of “worst-case” scenarios, we will still be spending less than based on current contracts
Eliminates warrantee on defects	<ul style="list-style-type: none"> • Eliminates need to arbitrate between defect vs. change request • Provides more C4HCO directed opportunity to flex resources • Requires more knowledgeable C4HCO IT Project Management

Financially, the contract would be better in all scenarios

Under similar and extreme scenarios, this contract would save >\$300k annually:

- Similar level of development to OE4
- No OE5

	Similar scenario: Maintain enhancement development effort for OE5 and OE6 as performed in OE4.		Extreme scenario: Reduction in hCentive team after July 1st 2017 and contract termination date of July 1st 2018 e.g. no OE5.	
Period	Feb 2017 - Jan 2018	Feb 2018 - Jan 2019	Feb 2017 - Jan 2018	Feb 2018 - Jan 2019
Current state: Continue with M&O/M&S Contract with Additional Funding for Projects				
hCentive M&O	\$ 802,877	\$ 802,377	\$ 802,877	\$ 401,439
hCentive M&S	\$ 643,000	\$ 643,000	\$ 643,000	\$ 643,000
Enhancements	\$ 754,550	\$ 754,550	\$ 377,275	
Total cash flow	\$ 2,200,427	\$ 2,199,927	\$ 1,823,152	\$ 1,044,439
Revised contract: Replace Current Model with Fixed Capacity Team				
Fixed Capacity	\$ 1,700,000	\$ 1,700,000	\$ 1,500,000	\$ 700,000
Total cash flow	\$ 1,700,000	\$ 1,700,000	\$ 1,500,000	\$ 700,000
Annual (savings) / additional cost	\$ (500,427)	\$ (499,927)	\$ (323,152)	\$ (344,439)

We would like the F&O committee to make the following recommendation to the board

Allow staff to execute a contract based on the following parameters:

- Provides capacity to enhance system, fix defects and ensure smooth operations
- Up to a 24-month commitment to hCentive
- Opportunity to terminate at 18 months in the case of there being no public individual open enrollment for plan year 2018
- Reduces total cost across existing M&O, M&S and expected system development costs for hCentive
- Contract value of up to \$1.8M annually

Project priorities

Given political uncertainty, we are changing our focus towards projects that:

- Are at less risk of being usurped by changes in legislation
- Can be funded within existing contracts
- Show a strong short-term ROI

Implications of this:

- We will not be making additional budget requests for OIT work in the short term
- More opportunities to improve SHOP
- Increases our ability to be flexible in the event of imposed changes