Legislative IT Committee

Harvest Room, State Capitol

January 11, 2012

<u>**Summary of project**</u>

For those who are new members of the committee I'll give a short review of the project history. In 2005, Gartner, an IT consulting group conducted a review of WSI's Claims system and concluded that WSI should replace its existing computer system with a comprehensive integrated computer system. A second consulting company, Advantech, assisted with planning for replacing our existing computer systems which resulted in the creation of the "Information Technology Transformation Program" (ITTP), which consists of four major projects, the first of which was the system replacement project (our current AIM project), followed by data warehouse, web portal, and CRM. WSI went through a comprehensive RFP process and in 2007 signed a contract with Valley Oak Systems as the software vendor. Additionally, WSI issued a 2nd RFP for a System Integrator to assist with project management and oversight of the system replacement project and signed a contract with HCL in 2007. In 4th quarter 2007 WSI began the project that would replace existing Claims Management and Policy Management systems, with an operating budget of $14MM. Valley Oak Systems was subsequently acquired by Aon eSolutions in 2008. We have been working on this implementation since that time

Since the start of the system replacement project, WSI has had other technology successes that include a FileNet conversion, upgrade to Office 2010 and shortly we will have a new intranet on line.

These decisions were made before I became the director. In February 2010 I named Clare Carlson the Executive Sponsor. It's been a challenge but if we didn't believe we could successfully complete the project we would have stopped the project at that point of recognition. Should that happen in the future we will stop the project, even at this late date.

<u>**Project Facts**</u>

The current go-live date for the claims portion is January 31, 2012 and September 6, 2012 for the policy portion. Obviously with only a couple of weeks remaining until our go-live date for Claims, and the amount of development work that Aon has yet to complete and deliver, plus WSI's need to complete several forms of testing it is not likely to happen at that time. We don't have official approval from the ESC to change the go-live date for Claims. In an addendum to the most recent amendment to the Aon contract, negotiated in June 2011, incentives for

finishing on time were included in the contract. If Claims is not implemented by January 31st 2012 Aon will forfeit $115,000 of a payment that is scheduled for that time. If not implemented by February 28th 2012 another $115,000 of planned payments will be forfeited. Each month following that Aon will forfeit $25,000 until we go-live with claims. A date that is more of a working schedule than the ESC sanctioned date   is July 31st 2012 for Claims. This delay in the Claims implementation has an effect on development and implementation of the Policy system, which we think has a likely date of February 2013 for go-live.

We are still operating with an approved budget of $17.8 million. We are having a hard time containing the dollars spent to that level but we are trying to maintain that level. At any spending level we have negotiated $912,000 in free maintenance and support from Aon over a two year period following go-live plus forfeited payments from Aon that currently would accumulate to more than $330,000. We have withheld payments until the product is delivered.

In addition, the ESC for the AIM project is having the Procurement Committee review the Aon contract and will look for recommendations and assistance in administering it.

Historically, the quality of the products/deliveries received from Aon has been poor to moderate. Prior to mid-year 2011, Aon historically delivered a very low percentage of features planned for a delivery. Since August 2011 Aon has delivered a high percentage of planned features but the quality still remains far less than acceptable. We are currently expecting the final pre-production release of the Claims software in March. Following that we will need to stabilize the system and all sorts of testing in preparation for go-live.

Measures to mitigate negative effects on project

We have negotiated incentives to deliver product in a timely manner, we have traveled to their office to express our concerns, we have written letters to describe our concerns, and we have invested in resources to complete our work in a timely manner and sent all needed information in a timely manner. We are operating within the guidelines of the Governor's Executive Order through which major changes to project scope, time and budget must be approved by the ESC. The ESC has been helpful in holding the line on budget, timelines and costs.