

From: [Rep Richardson](#)
To: [Cummings Bob](#)
Subject: RE: 16.2M Shortfall In Cover Oregon
Date: Friday, August 23, 2013 2:20:11 PM
Sensitivity: Confidential

thanks for the update.

Dennis

From: Cummings Bob
Sent: Wednesday, August 21, 2013 10:00 AM
To: Rep Richardson
Subject: RE: 16.2M Shortfall In Cover Oregon

It is my understanding that DHS/OHA budget types responsible for allocating the grant funding didn't fully understand how to properly allocate and track spending until it was too late. **Jim Scherzinger** is a key exec (COO) at DHS, and he researched the problem and determined exactly what mistake was made. He could tell you exactly what the screw-up was. His phone number is 503-945-5865. I'm sure he will tell you exactly what happened.

On a separate note, Dr. Ying Kwong, from DAS oversight and I met with Cover Oregon last week. We were totally surprised to find that they had already made a decision 7-10 days before (and communicated it to their board and sent out a press release) that they were going live on October 1, 2013 and that "all business services and functions would be available." They also announced that they were restricting initial use and entry into their system to their partners only for at least the first 2-3 weeks that they are opened for business. They didn't want 217,000 citizens going into the system from day one (which tells you they aren't confident that their software will work perfectly, or that they can handle a major level of interest in their services from the public, beginning October 1, 2013).

This decision to "go-live" was not made in the manner that CO had told us that they would make it, and I don't think that the process for making it was well thought out, or super objective in nature. They said they were going to write up a "go-live" methodology with specific criteria (which were requested), but it appears that it was a much more subjective decision process. In addition, the fact that their software completion percentage has remained at 82% for the past 6 weeks, causes me to believe that the software needed on October 1, 2013, may well not be complete or fully tested. The feds are still making requirements changes and CO is trying to do testing and user acceptance testing before the system is even completed.

I believe that CO was "forced" to go live due to federal and executive branch pressure, and that their approach is what is typically called a "soft launch" (i.e. we say we're ready, we go into production, we control what others can see about what is happened inside, we control input/use of the new system, we try to do everything manually where the automated system doesn't work, and we control what is reported to overseers – and we pray that things go well). I prefer not to go into more detail for now (because we are still learning more about the decision, why it was made, and their preparedness to actually perform), but would like to brief both you and Senator Bates in a week or so on where I think CO is, so that there will be no surprises on October 1, when they go into

business.

I do not think they have done a good job of managing expectations (i.e. the press release is far, far, too optimistic), and I don't think that their backup and manual operation plans are nearly as solid as they would publicly lead everyone to believe.

4 months ago, they appeared to be willing to follow DAS's and my advice on how to come into production carefully (16 specific "to-do's" that we asked them to do). They apparently have chosen to go a different direction (which is their right), but I don't want the legislature to believe everything that is in their recent press release is necessarily as "solid" as they say it is. Their approach reminds me of what DHS did on MMIS and OR-Kids when they went into production before they were really ready. There always is great pressure to go into production (whether you're ready or not).

That said, they've already told the board and the press what they're going to do, so there's really not much that we can (or perhaps even should) do, to help minimize their risks when they "open for business" in October. DAS and I have asked CO to provide us with details on how they made their decision, the actual status of the software, a copy of their business process model, a copy of their backup plans (i.e. what are you going to do manually if the automated system doesn't work – including interagency agreements with DHS/OHA which are currently being written). Hopefully, we will feel better about their chances of success on October 1, once they provide us with the details that we have requested.

Perhaps the materials that they provide us will reduce DAS oversight's and my concerns about their readiness and ability to be successful (including executing fall backs). Unfortunately, I, DAS, and the QA have been telling them that they are probably 3-5 months behind where they need to be to go live on October 1, 2013. The events of this past month clearly tell me that our estimates were correct. It's very difficult to get 36-48 months worth of work done in the 27 months that CO has been given. There is a reason why other early adopters dropped out of building their own system, and why 35 states have chosen to go with the very limited exchange system that the feds are supposedly building.

More later.

Bob C.

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From: Rep Richardson
Sent: Tuesday, August 20, 2013 5:11 PM
To: Cummings Bob
Subject: RE: 16.2M Shortfall In Cover Oregon

Interesting.

Which department's budgeteers made the \$16.2 million opps?

From: Cummings Bob
Sent: Wednesday, August 14, 2013 9:08 AM
To: Rep Richardson; Sen Bates
Subject: FW: 16.2M Shortfall In Cover Oregon

fyi

From: KWONG Ying K * CIO [<mailto:ying.k.kwong@state.or.us>]
Sent: Tuesday, August 13, 2013 9:36 PM
To: Cummings Bob
Cc: CVETKO John
Subject: FW: 16.2M Shortfall In Cover Oregon

FYI

From: BETSACON Nicholas * CIO
Sent: Tuesday, August 13, 2013 3:15 PM
To: KWONG Ying K * CIO
Cc: BETSACON Nicholas * CIO
Subject: 16.2M Shortfall In Cover Oregon

In case you have not seen the Statesman Journal Article

http://www.statesmanjournal.com/article/20130809/NEWS/308090026/New-Cover-Oregon-health-insurance-exchange-short-16M?nclick_check=1