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Correspondence Memorandum

Date: November 20, 2024

To: Budget and Operations Committee

From: Tarna Hunter, Director
Office of Budget Management

Michelle Baxter, Director
Office of Enterprise Initiatives

Subject: Summary of Insurance Administration System (IAS) Costs

This memo is for informational purposes only. No Committee action is required.

IAS – Review of Key Milestones

ETF commenced its purchase of an IAS in State Fiscal Year (SFY) 2020. Key project milestones are included in Table 1 below.

Table 1 – IAS Project: Key Milestones

Milestone	Date
Vendor Selection	
Request for Proposal (RFP) Publication	March 2, 2020
Vendor Proposals Due	April 22, 2020
Notice of Intent to Award Issued	September 21, 2020
Proof of Concept Exercise	Spring 2021
Contract Signed with Selected Vendor	July 31, 2021
Software Implementation	
Implementation Commences	September 2021
Completion of Base Configuration	June 2022
University of Wisconsin	May 2023
Local Employers	September 2023
Department of Administration, other State Agencies, and UW Hospitals & Clinics	January 2024
Retirees	TBD
Payroll and Billing User Acceptance Testing (UAT)	TBD
Completion of Data Conversion (iMax Files)	July 2023 – January 2024

Reviewed and approved by John Voelker, Secretary
Electronically Signed 12/02/2024

Board	Mtg Date	Item #
BUD	12.12.24	5

Milestone	Date
Vendor Outbound File 1	October 2023
Vendor Outbound Files 2	TBD
Projected System Go-Live	July 1, 2025

IAS Cost Summary

As shown in Table 2, ETF spent an estimated \$15.7 million on IAS-related staffing and vendor costs from project inception through September 2024. Estimated staffing costs were \$13.8 million, which comprised salary and fringe expenses for permanent staff and vendor payments for contract staff. Permanent and contract staff were involved in the vendor selection process and remain involved in the implementation process.

Table 2 - IAS Cost Overview (SFY 2020 to SFY 2025 Quarter 1)

Category	Amount
Staffing Costs	\$13,809,490
Software Vendor Costs	\$1,908,267
Contract Signing (7/2021)	\$457,400
Deployment of ETF's Marketplace (6/2022)	\$228,700
UW – Requirements Sign Off (4/2022)	\$557,400
UW – Shelving (5/2023)	\$169,134
Local Employers – Shelving (9/2023)	\$140,383
Vendor Outbound EDI Carrier Files – Part 1 (10/2023)	\$40,000
DOA-UWHC – Shelving (1/2024)	\$140,383
Completion of Data Conversion – Local Employers, Retirees, DOA, and UWHC	\$45,000
Other Change Orders	\$129,867
Total	\$15,717,757

Staff self-report their IAS project time in ETF's project management software tool. Staff costs are estimated based on hours reported on the project multiplied by current staff pay rates. Fringe costs for permanent staff were estimated at 39.31%.

Vendor costs reflect payments made to ETF's IAS vendor, Benefitfocus. Payments are specified in the contract according to milestones tied to the completion of specific requirements. Initial milestones were met with the signing of the contract and the deployment of ETF's base configuration of Benefitfocus's Benefitplace. Remaining milestones primarily relate to the preparation of the software for administration of insurance benefits for specific ETF member populations. In addition to the payments for milestones, in select instances, ETF agreed to change orders to compensate Benefitfocus for other unplanned implementation-related expenses.

The remaining milestones and estimated payments to Benefitfocus are outlined in Table 3 below.

Table 3 – Remaining Planned IAS Software Vendor Payments

Milestone	Amount
Dept. of Administration and UW Hospitals and Clinics – Shelving	\$140,383
Completion of UAT for Payroll and Billing	\$130,383
Vendor Outbound EDI Carrier Files (Scenario Testing) – Part 2	\$40,000
Base Benefitplace Production Deployment	\$397,834
Outstanding Change Orders	TBD
Total	\$708,600

Staff will be at the Committee meeting to answer any questions.