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Correspondence Memorandum

Date: October 1, 2019

To: Group Insurance Board

From: Rachel Carabell, Senior Health Policy Advisor
 Office of Strategic Health Policy

Joanne Klaas, Contracts Specialist – Advanced
 Bureau of Contracts Administration and Procurement

Subject: IBM Watson Health Contract Renewal

The Department of Employee Trust Funds (ETF) requests the Group Insurance Board (Board) approve extending the current IBM Watson Health contract from January 1, 2021 through December 31, 2022 and incorporating the contract amendments described herein.

Background

Prior to 2017, ETF did not have a data warehouse that contained medical, pharmacy, or dental spending, diagnosis or utilization data. Rather, program vendors sent data directly to the Board’s actuary to support the rate-setting process. To understand the program’s population, service utilization and health status, ETF was reliant on program vendors, the program’s actuary, currently Segal Consulting (Segal) or the Wisconsin Health Information Organization (WHIO) for any analysis. Unfortunately, none of these options met ETF’s need to effectively manage the program. These options could not support linking data across vendors, did not provide actual cost information and, while Segal could perform ad hoc analysis, it was not a cost-effective option for ongoing programmatic reporting needs.

In part of its 2015 benefit consultant report, Segal indicated that ETF was Segal’s only state-level client without a data warehouse system. Segal recommended the Board competitively procure for a data warehouse system with a vendor that could provide a ready-made system tailored to ETF’s specific structure and needs. ([Ref GIB | 11.17.15 | Item 3A](#))

In 2016 ETF released an RFP for a data warehouse and visual business intelligence tools. The Board awarded the contract to Truven Health Analytics, LLC. (Truven)

Reviewed and approved by Eileen K Mallow, Director, Office of Strategic Health Policy

Eileen K Mallow Electronically Signed 10/25/19

Board	Mtg Date	Item #
GIB	11.13.19	9B

because it was the highest-scoring and lowest-cost vendor of those that responded to the RFP. The initial contract was effective from March 1, 2017 through December 31, 2018. Truven was purchased by International Business Machines, Inc. (IBM) in 2016, and starting August 1, 2018, officially became IBM Watson Health.

Current IBM Contract

At its November 2017 meeting, the Board approved a two-year contract extension through December 31, 2020. One additional two-year extension remains under the current contract.

Implementation of the data warehouse and associated tools occurred from March 1, 2017 through August 2018 and was fully operational starting in September 2018. Much of the implementation period involved working with the various data submitters and testing the data to ensure the data met ETF and IBM's quality standards and to ensure the data could be linked across vendors.

ETF refers to the IBM-administered data warehouse and business intelligence tools as the Data, Analytics and InSights (DAISI) tools. DAISI includes medical, pharmacy and dental claims data for the State's Group Health Insurance Program (GHIP) and the Wisconsin Public Employer (WPE) program as well as wellness data submitted by the program's wellness administrator, StayWell. This data is submitted directly to IBM from program vendors. In addition, ETF sends demographic and enrollment data to IBM.

Current DAISI Uses

Since moving into operations, ETF has used DAISI to:

- Develop the quarterly dashboards that are regularly shared with the Board ([Ref. GIB | 8.21.19 | Item 10E](#)),
- Provide data for the Group Health Benefits Annual Report, which was first shared with the Board at its May 2019 meeting ([Ref. GIB | 5.15.19 | Item 6A](#)),
- Inform the Board's benefit decisions for 2020 by providing data for Board memos and presentations ([GIB | 5.15.19 | Item 8C](#)),
- Perform a provider access analysis, particularly regarding the recent termination of Security Health Plan from the program and
- Conduct a preliminary return on investment (ROI) for the Healthy Wisconsin program administered by StayWell, which was shared with the Board at its May meeting ([Ref. GIB | 5.15.19 | Item 7C](#)).

Starting in 2020, ETF hopes Segal will be able to use DAISI to support the annual rate setting process and therefore allow ETF to discontinue the separate data submissions that health plans currently submit directly to Segal. ETF and the health plans are currently validating the data in DAISI compared to the data submitted directly to Segal, which will inform any decisions on using DAISI for rate-setting.

Further, ETF expects DAISI will play an important role as ETF and the Board further develop and implement the Board's strategic plan.

Contract Renewal

ETF requests authority to extend the current data warehouse contract for an additional two years from 2021-2022. ETF makes this recommendation for the following reasons:

- Satisfaction – IBM has been a good partner in making sure its products meet ETF's analytic needs. IBM is an industry leader in providing health care analytic and data warehouse solutions and their expertise in analytics and data management have been valuable in working with data submitters and advising ETF on program solutions.
- Satisfactory Audit – ETF is satisfied with the findings of the third-party audit, which determined IBM demonstrated that it has the proper controls in place to ensure the data warehouse and its associated tools are providing high-quality data to support ETF's decision-making processes (See Agenda Item 9A).
- Costs – It is cost-effective to stay with IBM because ongoing operational costs are low, relative to implementation costs of onboarding a new vendor. ETF currently pays IBM \$31,416.67 per month for services described under the data warehouse contract with a 2.4 – 3.1% increase each year through calendar year 2022.

Contract Amendments

ETF and IBM are discussing the contract amendments described below.

Performance Standards

ETF is currently in discussions with IBM to modify the current performance standards in the contract to ensure they are measurable, enforceable and consistent with ETF and the Board's priorities. Most changes are to further clarify and define IBM's work and products subject to the performance standards and to clarify how any penalties would be calculated.

More substantial changes are being made to the customer service standards. The standards originally included in the contract were extensive and initially established for a health plan call center that interacts with members. IBM and ETF have agreed to reduce the total number of standards that apply to reflect that IBM's call center services only ETF and Segal staff, and is primarily used to reset passwords and restore access to the IBM products.

File Formats

The contract will be modified to allow IBM Watson to use another file format for data submissions if ETF and IBM agree, rather than requiring that a specific format be used. This change reflects an agreement made between ETF and IBM during implementation

to use a flatfile format for eligibility, medical and dental claims submissions, rather than the hierarchical formats the RFP originally specified. The flatfile format is preferred by ETF, IBM and the data submitters because it is a flexible format that accommodates changes to the file requirements, has improved testing capabilities and is easily absorbed by IBM.

No change in the data warehouse Contract's financial terms is expected from this renewal. However, ETF continues to evaluate new data items, such as the Wisconsin Immunization Registry for possible inclusion, and there are often relatively small costs associated with data additions.

Early next year, ETF will bring to the Board options for purchasing data warehouse and business intelligence services following the expiration of the current IBM contract. The significant investment of time, costs and other resources to implement such systems means that the Board should carefully consider all available options. Further, given the length of time involved for implementation of a new vendor, an early decision on an approach for 2023 is warranted.

Staff will be at the Board meeting to answer questions.