



Report to the Senate and House Standing Committees on Appropriations and General Government

Required by Section 809 of Public Act 59 of 2013

Prepared for the
Senate and House Standing Committees on
Appropriations and General Government

Department of Technology, Management and Budget
State Administrative Board

06-10-2014

Ad Board Date: 6/10/14 (ver. 1)

**STATE ADMINISTRATIVE BOARD
 CONTRACT CHANGE RECOMMENDATION
 DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET
 PROCUREMENT**

APPROVED

JUN 10 2014

MICHIGAN STATE
 ADMINISTRATIVE BOARD

- AGENCY SUBMITTAL** Statutory Authority per MCL _____ (state MCL Section #)
 Standard Delegation via Ad Guide _____ (state Ad Guide #)
 Special Delegation letter (submit with bid tab)
 Purchasing Alliance Approval Form (submit with bid tab)

DTMB PROCUREMENT SUBMITTAL

CONTRACT DESCRIPTION: 071B0200024; Automation Services; Department of Technology, Management and Budget for the Department of Community Health

CHANGE NOTICE NUMBER: 4

CONTRACTOR: HP Enterprise Services, LLC Lansing, MI
MICHIGAN BUSINESS:
INCREASE: \$2,097,870.70

Check if request is to exercise Contract option(s).
Requested time period and length: 10/1/2014 – 9/30/2015 (one year)

Check if request is to extend Contract (no option in base).
Time period of extension and length:

Check if extension is beyond Contract option year(s).
Time period of extension and length:

Check if this is an Extended Purchasing Contract

ORIGINAL CONTRACT: # of Base Years: 5 **Beginning Value:** \$10,412,377.78

Start Date and End Date: 10/1/2009 -9/30/2014

CURRENT CONTRACT VALUE: \$10,550,341.78

NEW TOTAL CONTRACT VALUE: \$12,648,212.48

PREVIOUS OPTION YEARS/EXTENSIONS:

	PERIOD: (Option/Extension start date – end date and state length)	SAB APPROVAL DATE:	\$ VALUE:
<input type="checkbox"/> Option 1 CN #			
<input type="checkbox"/> Option 2 CN #			
<input type="checkbox"/> Option 3 CN #			
<input type="checkbox"/> Extension CN #			
		TOTAL	\$0

PREVIOUS CHANGES NOT LISTED ABOVE IN THE OPTIONS/EXTENSIONS TABLE:

	TYPE OF CHANGE:	SAB APPROVAL DATE: (if applicable)	VALUE OF CHANGE:
First CN	Services for system shanges to MICHILD Prospective Payment System (PPS) reimbursement process.	11/03/2010	\$137,964.00
Last CN	Add Journey Level Developer for Healthy Michigan and revise Attachment A - Cost Tables.	N/A	\$0

Total number of processed changes to time, scope, and/or dollars: 3

FUNDING SOURCE:	PERCENTAGE:	Indicate RESTRICTED FUND name or COMMENTS:
Federal	50%	
General	50%	

SHOW THE BREAKDOWN OF THIS INCREASE BY FISCAL YEAR(S):

FY:	DOLLAR AMOUNT:
2014	\$2,097,870.70

PURCHASE JUSTIFICATION:

Description of Product/Service Modification Requested and Process Explanation:

This request is to add funding and exercise the first option year for the annual ongoing Medicare Severity Diagnosis Related Grouper and Compumax software maintenance and contractual services support for the Department of Community Health's Hospital and Health Plan Reimbursement Division (HHPRD), Long Term Care (LTC) Reimbursement and Rate Setting Section, and the Office of Audit.

Purpose/Business Case of Amendment or Extension, and Expected Outcomes:

This amendment is allowed in the current contract language. This contract provides automation services to maintain and support the Medicaid Programs Hospital, long term care (nursing home) and audit areas in the health care facility rate setting, reimbursement and audit programs within the Bureau of Medicaid Financial Management and the Bureau of Budget and Audit.

Risk Assessment:

Failure to add funding to the Contract for the requested services will result in delayed payments and loss of federal funding to hospitals, long term care facilities, federally qualified health centers, rural health centers, tribal health centers, local public health departments and school based service providers.

PRICE CLAUSE FROM CONTRACT: Firm-Fixed Price

CS-138 # PROVIDED FOR SERVICES: 084S3200003

COST REDUCTION/SAVINGS CONSIDERATIONS:

FOR IT CONTRACTS ONLY - Check box if adding more than \$500,000.00
for software development, computer hardware acquisition or quality assurance.

RECOVERY ACT FUNDS:

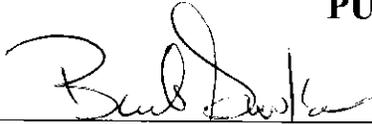
Percent of Total	%	Amount	\$
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AGENCY APPROVALS

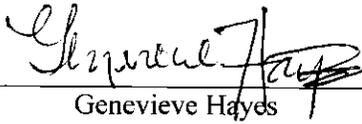
Authorized Agency Representative (printed)
Authorized Agency Representative Signature

Return Information:
Contact Name:
ID Mail:
Phone No.:
e-Mail:

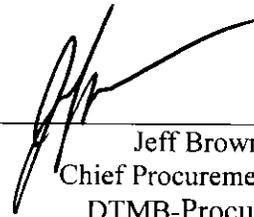
PURCHASING APPROVALS



Barb Suska
IT Buyer Signature



Genevieve Hayes
IT Acting Division Director Signature



Jeff Brownlee
Chief Procurement Officer
DTMB-Procurement

Ad Board Date: 6/10/14 (ver. 1)

**STATE ADMINISTRATIVE BOARD
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MICHIGAN STATE ADMINISTRATIVE BOARD

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DTMB PROCUREMENT SUBMITTAL

CONTRACT DESCRIPTION: 071B9200124; To exercise the second, two (2) year option and add funds for ongoing hosting and contractual information technology (IT) services; Department of Technology, Management and Budget-IT.

CHANGE NOTICE NUMBER: 12

CONTRACTOR: IBM Corporation, Lansing, MI
MICHIGAN BUSINESS:
INCREASE: \$10,300,000.00

Check if request is to exercise Contract option(s).
Requested time period and length: 12/30/15 – 12/30/17; 2 years

Check if request is to extend Contract (no option in base).
Time period of extension and length:

Check if extension is beyond Contract option year(s).
Time period of extension and length:

Check if this is an Extended Purchasing Contract

ORIGINAL CONTRACT: # of Base Years: 5 **Beginning Value:** \$16,997,964.00

Start Date and End Date: 12/30/08 to 12/30/13

CURRENT CONTRACT VALUE: \$37,594,217.00

NEW TOTAL CONTRACT VALUE: \$47,894,217.00

PREVIOUS OPTION YEARS/EXTENSIONS:

	PERIOD: (Option/Extension start date – end date and state length)	SAB APPROVAL DATE:	\$ VALUE:
<input checked="" type="checkbox"/> Option 1 CN #8	12/30/13 – 12/30/15; 2 years	N/A	\$0
<input type="checkbox"/> Option 2 CN #			
<input type="checkbox"/> Option 3 CN #			
<input type="checkbox"/> Extension CN #			
		TOTAL	\$0

PREVIOUS CHANGES NOT LISTED ABOVE IN THE OPTIONS/EXTENSIONS TABLE:

	TYPE OF CHANGE:	SAB APPROVAL DATE: (if applicable)	VALUE OF CHANGE:
First CN	Project Change Request (PCR) #002 incorporated into contract	7/21/09	\$15,616,253.00
Last CN	PCRS #109 and #112 incorporated into contract	N/A	\$0

Total number of processed changes to time, scope, and/or dollars: 11

FUNDING SOURCE:	PERCENTAGE:	Indicate RESTRICTED FUND name or COMMENTS:
Restricted	100%	IT Internal Service Fund

SHOW THE BREAKDOWN OF THIS INCREASE BY FISCAL YEAR(S):

FY:	DOLLAR AMOUNT:
2014	\$1,000,000.00
2015	\$3,100,000.00
2016	\$3,100,000.00
2017	\$3,100,000.00

PURCHASE JUSTIFICATION:

Description of Product/Service Modification Requested and Process Explanation:

This request is to secure additional funding for the existing eMichigan/ADM Center contract in order to procure the following IBM services:

1. Hosting of the current Michigan.gov and Michigan.org web portals as well as the State Courts eTicket application through 12/31/2016 or later if needed.
2. Extending application development and maintenance resources (project managers, analysts, developers) currently provided to State projects including: Treasury tax modernization, MiPage, Mobile transformation of online services, State Courts eTicket enhancements including online misdemeanor payments.
3. Provide ADM Center development and maintenance resources on additional application development and maintenance projects.
4. Provide expertise on the implementation, configuration and integration of IBM software products when they are selected as components of State IT initiatives. The State currently uses the following IBM software InfoSphere, WebSphere, Rational, Data Power and Integration Bus.
5. Provide managed application services, for example: system testing, load testing, mobile device testing, system operations, application maintenance, mobile development factory, help desk, or dev/test cloud services.

Purpose/Business Case of Amendment or Extension, and Expected Outcomes:

This amendment is allowed in the current contract language. This renewal is required to support hosting the Michigan.gov portal in its current state through 2016 as well as several initiatives supported by the East Lansing IBM ADM Center and IBM software support teams.

Previous spending on this contract and existing contract release/purchase orders have left less than \$500,000.00 in available funding for this contract which is far less than what is required to support the scope of services required through 2017. As a result, an additional \$10,300,000.00 is being requested.

The existing Michigan.gov portal has been hosted by IBM since its inception. Although a project to replace the portal with a newer technology is being initiated, the current portal and associated hosting services will be required at least through 2016. This continued level of service is required to support the Michigan.gov availability requirements. Additionally, the age of the current portal solution adds some risk and IBM's 10 years of experience supporting this technology represents significant value.

The IBM ADM Center has provided resources on several State application development and maintenance projects. These currently include tax modernization at Treasury, a Garnishments web application for State Courts, and mobile application development for the Center for Shared Solutions (CSS)/MiPage. In order for these important projects to continue and for the State to leverage this pool of local resources for future initiatives, additional contract funding is required.

Lastly, IBM provides the state with many commercial software products that are critical to the success of critical State applications. However, State resources often lack the technical skills and experience with these products that is required to get the full value from them, and the State needs a contract vehicle that allows for IBM experts to assist with these efforts. This contract and the additional funding will provide that mechanism.

Risk Assessment:

Not approving this request will result in the following consequences:

- The State will not be able to fund the hosting services for Michigan.gov beyond March, 2015. This will result in shutting down the state's primary Internet presence and/or causing extreme site availability risk by transferring it to another hosting provider which may not result in any cost savings.
- The ADM Center projects that resources are currently working on would need to be terminated due to lack of funding. This would jeopardize important initiatives such as making State online services accessible over mobile devices.
- IBM software is integral to the success of many State IT projects. Without access to IBM software experts to assist with these implementations, application development and rollout schedules will be delayed resulting in cost overruns and misses related to desired business outcomes.

PRICE CLAUSE FROM CONTRACT: Firm Fixed

rollout schedules will be delayed resulting in cost overruns and misses related to desired business outcomes.

PRICE CLAUSE FROM CONTRACT: Firm fixed

CS-138 # PROVIDED FOR SERVICES: 084S3200003 and 084S8200007

COST REDUCTION/SAVINGS CONSIDERATIONS:

FOR IT CONTRACTS ONLY - Check box if adding more than \$500,000.00 for software development, computer hardware acquisition or quality assurance.

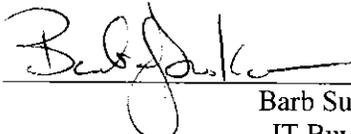
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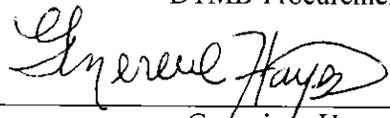
Percent of Total	%	Amount	\$
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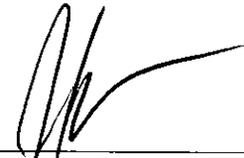
AGENCY APPROVALS

	Return Information:
Authorized Agency Representative (printed)	Contact Name:
	ID Mail:
	Phone No.:
Authorized Agency Representative Signature	e-Mail:

PURCHASING APPROVALS


Barb Suska
IT Buyer
DTMB-Procurement


Genevieve Hayes
Acting IT Division Director
DTMB-Procurement


Jeff Brownlee
Chief Procurement Officer
DTMB-Procurement