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Joint Committee on Finance

Paper #102

Division of Hearings and Appeals Case Management System (Administration -- General Agency Provisions)

[LFB 2017-19 Budget Summary: Page 27, #7]

CURRENT LAW

The Division of Hearings and Appeals (DHA) within the Department of Administration (DOA) conducts contested case hearings and appeals for many state agencies. Under current law, a person aggrieved by an administrative decision of a state agency may obtain a contested case hearing under administrative procedure laws in Chapter 227 of the statutes. The following agencies are specifically identified as agencies DOA may assess for the cost of providing hearings and appeals services: (a) Department of Natural Resources (DNR); (b) Department of Transportation (DOT); (c) Department of Public Instruction (DPI); (d) Department of Health Services (DHS); (e) Department of Children and Families (DCF); (f) Wisconsin Historical Society; (g) Office of the Commissioner of Insurance; (h) Department of Justice (DOJ); (i) Department of Workforce Development (DWD); and (j) an agency that is not prohibited from contracting with a third party for contested case hearing services and has requested that DOA provide the services.

GOVERNOR

Provide \$120,000 PR annually for a case management system for scheduling and tracking cases in the Division of Hearings and Appeals (DHA) to obtain a more efficient scheduling and tracking case management system.

DISCUSSION POINTS

1. The Division of Hearings and Appeals has offices in Madison and Milwaukee,

although hearings can take place off-site. The Division is organized into four subunits: (a) General Government (DHS cases regarding nursing home regulation; DNR cases; DOJ cases; DOT cases; DPI cases; Department of Employee Trust Funds cases; DWD cases regarding vocational rehabilitation; and Department of Safety and Professional Services cases); (b) Corrections (cases regarding revocation of probation, parole, and extended supervision); (c) Work and Family Services (DHS cases regarding FoodShare, medical assistance, foster homes, day care center licensing, medical care facility licensing, certification or penalty issues, and Medicaid rate-setting and recoupment; DCF cases regarding adoption, child care, and foster care; and DOA cases regarding low-income energy assistance); and (d) beginning in 2016, the Office of Worker's Compensation Hearings conducts hearings for the DWD Worker's Compensation Division. In addition, DHA provides support to the Waste Facility Siting Board relating to the arbitration and negotiation process utilized by businesses and municipalities in siting landfills and hazardous waste facilities.

2. In 2014-15, the Division was provided \$2,602,100 GPR and \$3,329,500 PR as well as 29.85 GPR and 22.1 PR positions for services to specific agencies, which were assessed for the cost to provide services. In the 2015-17 biennium, the GPR portion of DHA's funding was converted into PR. Administration's hearings and appeals fees appropriation then contained \$5,927,800 PR in 2015-16 and \$5,931,400 PR in 2016-17 and 51.15 PR positions annually. The PR hearings and appeals fees appropriation is provided for the general program operations of the DHA. All moneys received from fees charged for services provided to state agencies are credited to the appropriation. In addition, the Division was provided \$1,794,100 PR in 2015-16, \$3,588,100 PR in 2016-17, and 33.0 PR positions annually to transfer adjudicatory responsibilities relating to worker's compensation disputes from the DWD to the DHA in DOA starting January 1, 2016. In total, the Division was provided \$7,721,900 PR in 2015-16 and \$9,519,500 in 2016-17 and 83.15 PR positions annually.

3. Since the changes in the 2015-17 biennium, DHA charges agencies for hearings and appeals services provided to state agencies based on the number of positions dedicated to that type of case. In 2016, DHA handled 9,418 Corrections cases, 7,467 Work and Family Services cases, 993 General Government cases, and 5,183 Worker's Compensation cases.

4. Under the 2017-19 budget bill, \$1,339,300 PR annually and responsibility for administrative review of administrative decisions related to worker's compensation would transfer from the Labor and Industry Review Commission (LIRC) to the DHA Administrator. Currently, administrative decisions related to worker's compensation are made by administrative law judges in DHA. Those decisions can be appealed to LIRC. The bill would eliminate LIRC effective January 1, 2018, or on the first day of the sixth month after the effective date of the budget act, whichever is later. From the transfer from LIRC to DHA, DHA can expect approximately 177 additional cases (finding of fact orders appealed to LIRC in 2016) to DHA's current caseload. In addition, the budget bill includes the transfer of an additional 5.5 DWD positions from DWD to DHA, and a \$1,240,700 PR annual increase in funding for supplies and services. [Note that a separate budget paper will address the elimination of the LIRC.]

5. The Division indicates that the current case management system dates from the mid-1990s and is written in Microsoft Visual FoxPro programming language. Microsoft issued its last version of this software in 2004, last updated this version in 2007, and no longer supports the

product as of 2010. The personnel that developed the system for DHA have retired and replacement personnel are not readily available. The Division does not currently allocate funding for the current system. There are no licensing costs since the system is on a non-supported format. Since the current system is no longer supported, and with the addition of more hearings and administrative law judges, DHA indicates the current system can no longer support DHA's functional, operational and management needs.

6. The Division's case management system is used to schedule 30 different types of hearings for 15 different state agencies for 30 administrative law judges at over 300 potential hearing locations. In addition, information from the system is used as support for agency billing and personnel performance reviews. The Department's Division of Enterprise Technology's initiative to establish Microsoft Office 365, the changing needs of DHA's customers, and the addition of Worker's Compensation hearings may present additional complexity for the case management system. In order to ensure compliance with federally-mandated timelines for Medicaid, Foodshare, Division of Vocational Rehabilitation (DVR) and Individuals with Disabilities Education Act (IDEA) cases, DHA must track caseloads, and maintain document management functions for hearing-related materials. Any system malfunction would require re-programming by DHA, as there is no support available from the vendor.

7. The new case management system will need to incorporate functions for new issues that fall under DHA's jurisdiction. The Department of Workforce Development is using a system called Integrated Case Management System (ICMS), a custom program developed by DWD over 20 years ago, and an updated program module called Enterprise Assisted Scheduling (EAS). The Labor and Industry Review Commission enters its decisions and court decisions in various program software, including ICMS for worker's compensation, Civil Rights Information System (CRIS) for equal rights, and Appeals Case Management System (ACMS) for Unemployment Insurance cases. The Commission uses its own application to track program files, and does not use a scheduling system.

8. The Division of Hearings and Appeals sent out a request for proposal (RFP) in June, 2016, and a Notice to Award RFP was sent out to Journal Technologies, Inc. in December, 2016, after the RFP had been amended in August, 2016, to include DWD cases under DHA jurisdiction. The scope of the project is identified below:

"DHA has been using an in-house case management system for over 25 years (ACES). This project is to procure and implement a replacement for ACES that will provide intuitive management of the Division's case load. The new system shall maintain functionality of the existing system, provide web access to remote staff and the public, and support an electronic case file. The current system was developed in three (3) phases and better integration of these phases is desired. The proposed system must meet state technology standards and practices, and function within the Division's current infrastructure.

The ability to quickly and easily schedule, view and reschedule these several different types of administrative hearings is key to the functionality and effectiveness of the application. While each unit has individual data input, calendar and reporting needs, the units also have much in common. An integrated solution that combines the ability to meet the specialized needs of each unit with a standard interface and appearance common to all units is desired.

DHA envisions a system that provides capabilities for tracking hearings and staff resources; data entry screens that fully support the needs of each hearing type, meet scheduling, rescheduling, time limit monitoring, reporting and correspondence needs of each unit, and a web interface to allow remote access. The Division has embarked on a paperless initiative. DHA needs a document management system and an electronic case file. We would like the new system to provide these features or a method to interface with an external system. DHA's case load is fluid so DHA would like to have the ability to reconfigure existing screens, reports and notices, as well as the ability to create new screens, reports and notices as workload changes."

9. According to the response to RFP, costs in the first year would be for implementation only and would total \$200,000. Costs in the second year would be \$89,000 for the software license and maintenance subscription and technical support and \$102,000 for years three through five. A master lease is often used by agencies to assist with large purchases by spreading the cost of the product across several years in exchange for a negotiated interest rate. Product acquisition cost estimates over five years according to the response to RFP total \$600,000 or \$120,000 annually without including interest and master leased over a five year period. (Interest costs have not been budgeted for.) Given that DHA has identified a vendor for its' case management system, the Committee could approve the Governor's recommendation. [Alternative 1] As a result, the Committee would provide DHA with \$120,000 PR annually for a case management system for scheduling and tracking cases.

10. The acquisition of the system and ongoing maintenance costs, and attendant increased budget authority for DHA will increase costs for other state agencies. After five years, a new contract would need to be negotiated with Journal Technologies. Hearings and Appeals indicates that the cost after the initial five years would likely be \$102,000 per year plus any increase in costs. In addition, a hosting service (Amazon or a similar provider) for the system has not yet been identified and could cost approximately \$31,000 more annually. These costs are not specifically addressed under the budget. As a result, hosting costs would be supported using existing resources.

11. Since all costs of DHA are recovered through fees assessed to state agencies, increased costs are funded by fee increases. In order to moderate fees charged while recognizing DHA's need for an updated case management system, The Committee could provide \$60,000 PR annually for the system. If DHA were not able to reallocate the additional expenditure authority from within its existing budget, then the Division could make a request for increased expenditure authority under a s. 16.515 passive review. [Alternative 2] As a result, the Committee would provide DHA with \$60,000 PR annually for a case management system for scheduling and tracking cases.

12. Given that the interest rates negotiated in the master lease are currently unknown, the Committee may wish to fund costs in the first two years in such a manner that a master lease is unnecessary as described above. [Alternative 3] As a result, the Committee would provide DHA with \$200,000 PR in 2017-18 and \$89,000 PR in 2018-19 for a case management system for scheduling and tracking cases.

13. Hearings and Appeals assesses its functions to the agencies it works for proportionally by the amount of employee time required to fund its operation, up to its expenditure limit. The

software cost will be incorporated into this structure. Given the increased cost to agencies charged for hearings, the Committee may wish to maintain current spending authority. [Alternative 4] As a result, DHA indicates it "would need to continue using and maintaining the existing system at high cost, in an unsupported format, which prevents modifications and enhancements as additional responsibilities and types of cases are transitioned to DHA. This would necessitate the possible use of multiple tracking and scheduling systems in the future or the reversion to more manual/paper input into the scheduling and document management system."

ALTERNATIVES

1. Approve the Governor's recommendation to provide \$120,000 PR annually for a case management system for scheduling and tracking cases in the Division of Hearings and Appeals to obtain a more efficient scheduling and tracking case management system.

ALT 1	Change to	
	Base	Bill
PR	\$240,000	\$0

2. Provide \$60,000 PR annually for a case management system.

ALT 2	Change to	
	Base	Bill
PR	\$120,000	-\$120,000

3. Provide \$200,000 PR in 2017-18 and \$89,000 PR in 2018-19 annually for a case management system.

ALT 3	Change to	
	Base	Bill
PR	\$289,000	\$49,000

4. Maintain current law.

ALT 4	Change to	
	Base	Bill
PR	\$0	-\$240,000

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