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Communications of the Association for Information Systems



Colorado Benefits Management System (C): Seven Years of Failure

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Abstract:

In September 2004, the State of Colorado implemented a large information system it called the Colorado Benefits Management System (CBMS). Its purpose was to replace six aging legacy systems supporting various state-administered welfare programs with a single system using current technologies. The expected benefits from CBMS were better service to clients and assurance that the state's welfare programs were being administered properly. The conversion was a disaster, and, as of early 2011, CBMS is still not working properly. Since 2004, there have been a series of promises and attempts under two separate administrations to fix CBMS so that it meets performance requirements. Nothing has worked. This case chronicles events since late 2006 until early 2011. It lays the groundwork for class discussion of how and why public sector managers could fail to focus on fixing the problems with CBMS for almost seven years, and now will simply "kick the can down the road" to the new administration that took office in January 2011.

Keywords: consultants, conversion, implementation, legacy systems, IT project management, runaway projects, user acceptance testing

Editor's Note: A teaching note for this case can be obtained from cfukami@du.edu. Only active faculty who are currently listed in the AIS Faculty Directory are eligible to receive the teaching note.

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I. BACKGROUND

Gazing out the window at the Colorado State Capitol, Kristin Russell noticed the bleak winter landscape. Newly inaugurated Governor John Hickenlooper was about to release the announcement that she was appointed to be the state's Secretary of Technology and Chief Information Officer. The press release was full of promise, stating, "Her mission will be to increase the effectiveness of government through the use of shared information and technology" [Press release, 2011]. Russell knew that delivering on this promise would lead her on a rocky road, as, up to this point in time, Colorado did not have a strong track record in Information Technology [Pew, 2008]. Kristin's thoughts turned to the legacy she was about to inherit and how it had unfolded since 1989. "Well, time to get started," Kristin thought to herself. "The only way to go is up."

As was the case with many large organizations, the State of Colorado was faced with obsolete technology in 1989. Aging technology systems were becoming increasingly difficult to maintain. In particular, there were six legacy systems supporting the welfare systems in Colorado. These systems were developed at different points in time, and typically supported a single program, e.g., Food Stamps. A project team was formed to replace the six legacy systems with a single system, the Colorado Benefits Management System (CBMS). When CBMS was up and operating, all of Colorado's welfare programs would use a single up-to-date computer system. With CBMS, clients eligible to receive benefits from more than one program would no longer need to find their way to several different offices and file multiple applications. The sick, the hungry, elderly, and children would receive immediate help while the state and the counties would save money. Clients would be better served because a single knowledge worker could handle the processing of benefits for multiple programs, the client information used for all programs would be consistent, and rules for qualification and receipt of benefits would be applied correctly. Since many of the welfare programs were at least partially funded by the U.S. federal government, the latter point was important for Colorado State Departments' compliance reporting to federal agencies. As an added benefit to clients, knowledgeable workers would be able to receive assurance from CBMS that clients were receiving all of the benefits they were entitled to receive. As an added incentive to the state and counties, once the system was installed, it would result in a reduction in headcount.

In 1999, approximately ten years after the plan was first envisioned, funding was obtained, a Request for Proposal (RFP) was created, bids were solicited, and EDS was awarded a contract to install and maintain CBMS. See McCubbrey and Fukami [2005] for more details on this part of the project. A project of this size and complexity will almost certainly experience challenges, and CBMS was no exception. The project was behind schedule virtually from the beginning, and while concerns were voiced along the way, they fell on deaf ears. Despite looming problems, conversion to the new system was planned for September 1, 2004. On August 13, 2004, the directors of human services in four Colorado counties wrote a letter to their superiors, asking that the system be delayed until adequate testing and successful pilot tests were conducted. On September 1, 2004, the system was converted, over the objections of the county directors, and after the expenditure of approximately \$100 million.

The results were both predictable and avoidable. The new system was not capable of processing transactions as efficiently as the systems it replaced. Huge backlogs of unprocessed transactions developed, which resulted in employees working overtime, the hiring of temporary employees, and the installation of additional computer servers to add capacity. Despite these efforts, county welfare offices experienced long lines of applicants, and many applicants had to literally wait for weeks for their applications to be approved by the new system and benefits to be received. By contrast, the old systems had approved new applications within hours. Hundreds of people complained that they were denied benefits unfairly, their applications weren't processed, or that they received contradictory letters about their eligibility. In addition, some individuals received benefits to which they were not entitled.

In December 2004, two prominent Denver attorneys, Ed Kahn and Michael Cook, working on a *pro bono* basis through the Colorado Center on Law and Policy, filed suit on behalf of CBMS beneficiaries. The suit claimed that the error-prone system would deny citizens benefits to which they were entitled. Judge John Coughlin ordered the state to create an emergency call center for benefits applicants and to process applications on a tight deadline. In response, Governor Bill Owens created the Office of CBMS, appointed John Wittwer, a retired physician and former Colorado State representative, as director, and charged him with fixing the system. In 2006, The Legislative Audit Committee of the State of Colorado found that significant strides had been made in correcting CBMS; nonetheless, nearly \$90 million in improper welfare payments had been made in Colorado.

On the other hand, some progress was made. In June 2005, the Department of Human Services reported that it had resolved 97 percent of its emergency calls within five days, and the Department of Health Care Policy and Financing, which oversees Medicaid, reported that it had resolved 100 percent of its emergency cases within five days. As of June 20, it was reported that 92 percent of the cases had completed their conversion to CBMS, up from 67 percent in January. The number of applications not meeting the federal deadlines was reported to have fallen 84 percent to 4,609 [Scanlon, 2005].

Despite the turmoil surrounding CBMS during the months following its conversion, the Colorado Commission on Information Management (IMC) claimed “successful deployment of CBMS” as one of its 2003–2004 accomplishments in its 2004 Annual Report, issued in March 2005. In November, 2006, with Governor Owens leaving office, John Witwer resigned as Director of CBMS, and oversight of CBMS was sent back to the two sponsoring departments: Health and Human Services and Health Care Policy and Financing (HCPF). It was thought that CBMS was on the road to recovery.

The attorneys at the Colorado Center for Law and Policy (who represented the plaintiffs in the 2004 lawsuit filed against the State of Colorado for nonperformance of CBMS) met with incoming Governor Bill Ritter’s transition team in late 2006. The transition team listened carefully to the attorneys and indicated that fixing CBMS would make the list of the top 100 issues in the State of Colorado. However, the attorneys were not optimistic about progress, because there were still two departments running CBMS (Health and Human Services and HCPF), which meant there was no clear ownership or accountability for CBMS. Mike Locatis was appointed as the new State CIO and head of the Office of Information Technology (OIT), but the attorneys were not convinced that he was serious about fixing CBMS. See Fukami and McCubbrey (2006) for more information on these events.

The new legislature that took over in January 2007 quickly turned a spotlight on what went wrong with CBMS and why, as well as how and when it was going to get fixed. Earlier the federal government had sued Colorado for CBMS’s overpayment of food stamps. The state subsequently lost a federal appeal and, as a result, had to repay the federal government \$10,864,345. [Citron, 2008]

In 2008, the OIT received authorization from the Colorado Legislature to move forward with a plan to consolidate all IT assets and personnel in the state and move them under control of the OIT. The bill laid the foundation for OIT’s transformation by authorizing a structural reorganization and consolidation effort over a four-year period. Governor Ritter signed the bill into law on May 22. The law didn’t take effect until July 1, but according to a statement by State CIO Mike Locatis reported in the press at that time, the benefits were already apparent. “Our project-governance model is getting executive sponsors, the business side of IT is more involved in requirements and the software/system development lifecycle, and we’re already seeing improvements in project delivery as a result of that,” he said [Newcomb 2008].

Locatis was given additional responsibilities, including oversight of the State of Colorado’s 1200 IS personnel and \$265 million IS budget. His oversight included, of course, fixing the Colorado Benefits Management Systems (CBMS), among several other malfunctioning systems.

Attorney Ed Kahn, who had been continuously working to hold the state accountable to performance standards, noted, “10–12 other states have been successful in modernizing IT systems, including Maine and Nevada. All have centralized IT departments, completely accountable for enterprise systems.” Kahn also asserted that one problem in Colorado is that the CIO, Mike Locatis, has a “dotted line” relationship with the Governor, so accountability is unclear.

Locatis argued that IT systems in government are much more complex than in business, particularly because of the human resources available to interface with them, and this is primarily what limits the effectiveness of IT in government. Change management is also a huge problem for government. Consolidation was necessary because the various agencies and counties in the state have limited financial resources, their assets are scattered, and so cross-boundary cooperation is necessary.

At the same time, a member of the OIT staff noted that senior IT people in the state are political appointees, not public servants. In fact, the staff member pointed out that Mike Locatis’s background is in accounting, not in IT. However, the staff member agreed that some consolidation is necessary to make the best use of resources in the state. But some things won’t be able to work together. Legislators don’t have the time and expertise to fully understand IT, so they listen to advisors. There is no strategic plan. The leadership does not understand what needs to be done to successfully pull off consolidation.

Still, CBMS continued to be a problem for those who had to use the system every day. To express their frustration with the lack of progress in fixing CBMS, a group of state workers organized a march on the state capitol building in April 2008.

CBMS was further stressed by the nationwide economic downturn, which began in the fall of 2008 and the resulting spike in individuals seeking public assistance. In response, the State decided to once again seek outside help from consultants for CBMS. Deloitte Consulting was hired to rehabilitate and maintain CBMS, under a \$44 million contract.

A year later, despite the lack of progress in getting the system to perform to standards, John Conley, Locatis's Deputy CIO, was quoted as saying that "CBMS is fully operational and all major bugs have been worked out." Ed Kahn, the attorney who had continued his yeoman work on behalf of the aid recipients supposed to be helped by CBMS, "said it would be 'outrageous' to consider CBMS fixed" [Imse, 2008].

Performance problems continued, as "the current system takes 45 minutes to input information after an applicant has filled out a paper form. It requires people to come down to county offices and wait in line, or pick up applications and mail them in" [Sherry 2009a].

Another article pointed out, "Last year, Colorado ranked 52nd in the nation and its territories—just above Guam—for food-stamp application timeliness, according to the U.S. Department of Agriculture. In some Counties—including Jefferson, Denver and Adams—between 20 percent and 40 percent of applicants waited longer than 30 days to get a food-stamp card this spring" [Sherry 2009b].

Clearly, the failures of CBMS continued to have a severe impact on the poor. In May 2009, State officials held a meeting with a group of Denver Foundations, which were bearing additional burdens in addressing the needs of the poor while they waited for CBMS to do what it was supposed to do. According to one press report, "The Denver Foundation said that Colorado's food stamp problems have led to human suffering that is intolerable and unacceptable".[Sherry 2009b].

Finally, in mid-2009, some structural accountability was provided for CBMS. Health and Human Services agreed that HCPF would take primary ownership of CBMS. There was some discussion of splitting CBMS into Medicaid (HHS) and Food Stamps (HCPF), but the consultants from Deloitte rejected the idea. The new Web portal was supposed to be launched in January 2010, using "intelligent data entry." Deloitte designed and developed the portal; it took them one year to complete their work. The budget for the Web portal contained no funds for user training.

On June 29, 2009, William Browning, a Denver IT consultant, accepted a one-year contract as the new CBMS Director. When he stepped down a year later he said that CBMS was getting better, based on the most recent report on compliance. He argued that the current problems were not systems issues; rather they were input errors made by caseworkers. The problems are on the claims processing side, he said, which has nothing to do with CBMS. In his opinion, the ongoing problem with CBMS is not a technology issue because if it were, it would have been fixed.

Finally, Browning agreed that while the launch of CBMS was in no doubt a disaster, 2007 was a year of relative stability. In the following years, the larger problems of the economic downturn negatively impacted CBMS. For example, he said, there was a 60 percent increase in claims in 2009, but the system was 10 percent more efficient. There was a 50 percent annual increase in the caseload, but all 64 counties had a staff reduction, so the system was clearly underfunded. He said the backlog should be gone after June 2010. Robert Sanford was appointed to take Browning's place as the new CBMS Director. Sanford had no experience in healthcare or in government. He had worked in the satellite TV industry, and in the Federal Defense industry.

Finally, the unthinkable, but perhaps the inevitable, occurred: Zumante Lucero, a nine-year-old boy, died of asthma in July 2009 after a state benefits error denied him his prescription coverage. His mother, Zuton Lucero, said that her nine-year-old son's death from severe asthma could have been prevented had Denver Human Services resolved problems with his Medicaid pharmacy benefits. Zuton Lucero said she called Human Services every three days for months last year when she was suddenly unable to get prescription drugs for her son, Zumante [Sherry 2010]. The county generated reports verifying that her son, Zumante, qualified for Medicaid—yet pharmacists said he wasn't in the system.

Following Browning's departure from CBMS, Colorado CIO Mike Locatis also left Colorado, and was named Chief Deputy CIO of California. And CBMS is still pretty much the same. Worker morale is low, the counties have incurred extraordinary expenses, over 5,900 pages of workarounds have been created, and recipients are not receiving benefits in a timely manner. Problems associated with CBMS continued over time, and as of December 2010, the

system was still not working properly. The Colorado Center on Law and Policy went back to court one more time to force the state agencies to perform according to the guidelines set earlier. Ed Kahn said, "The battle goes on."

On January 11, 2011, John Hickenlooper took the oath of office as governor of the State of Colorado. He thus becomes the third governor to preside over CBMS. A recent front-page article in the Denver Post summarized the challenges facing Hickenlooper.

Massive delays continue to plague the state benefits system for Medicaid, food stamps and other assistance, obstructing hundreds of thousands of residents and prompting a new contempt of court call by legal advocates of the poor. In some categories, the roadblocks have worsened despite years of attempted fixes. Tens of thousands of clients a month are suffering illegal delays on 71 percent of Child Health Plan Plus re-enrollments and 44 percent of initial adult Medicaid applications. With state and county caseloads bulging from the recession, the delays affected more than 248,000 people seeking to start or extend medical benefits in an 18-month period from 2009 to mid-2010 Legal advocates fear further breakdowns in the system as 300,000 more Coloradans become eligible for medical assistance through new programs taking effect by 2014 [Booth, 2011].

New Colorado CIO Kristin Russell turned away from the bleak landscape outside her window at the state capitol and looked at the blank agenda on her desk. She thought, "Where should I start?"

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Cindi Fukami is a professor of Management in the Daniels College of Business at the University of Denver. She earned her Ph.D. in Organizational Behavior from the Kellogg Graduate School of Management at Northwestern University. Her research and teaching are in the areas of Organizational Behavior and Human Resource Management. She is Associate Editor of the *Journal of Management Education* and sits on the editorial board of *Academy of Management Learning and Education*. She is a Fellow of the Carnegie Foundation for the Advancement of Teaching. With Stephen J. Armstrong, she edited the *Sage Handbook of Managerial Learning, Education, and Development*.

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