



State of Wisconsin

Date: October 29, 2021

To: Members of the Joint Committee on Finance and Joint Committee on Information Policy and Technology

From: Department of Administration Secretary Joel Brennan

Handwritten signature of Joel T. Brennan in black ink.

Department of Workforce Development Secretary-designee Amy Pechacek

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Subject: 2021 Wisconsin Act 4 Quarterly Report – Third Quarter 2021

Pursuant to 2021 Wisconsin Act 4, under Wis. Stat. s. 108.14(27)(e), this report serves to update you on the progress the Department of Workforce Development (DWD) has made on its project to update the information technology (IT) systems used for processing and paying claims for unemployment insurance (UI) benefits from July 1 through September 30, 2021.

2021 Wisconsin Act 4 directed DWD to begin its UI modernization project posthaste and to maximize federal dollars to fund the project. Specifically, with bipartisan support, Act 4 required DWD to issue a request for proposals (RFP) by March 29, 2021, to begin updating the information technology systems used for processing and paying benefits and undertake the modernization project by June 30, 2021. Act 4 also provided the Governor with additional authority to waive procurement requirements when necessary to help expedite the process. Act 4 did not appropriate any dedicated state funding for the project.

We are pleased to share in this fourth report with you that DWD has continued to make significant progress in its UI Modernization efforts. As previously reported, DWD's first step in undertaking UI system modernization was the purchase of an integrated cloud-based communications and messaging center that will offer seamless integration of a telephony system with enhanced features and reporting solutions. DWD is addressing the communications center component first because of the impact the Department's call center has had on individuals' ability to file claims and to have their claims processed and benefits paid in a timely manner. An updated communications center also provides DWD with the tools needed to efficiently respond to program changes and better monitor and analyze agent performance. The communications center component is on track and the Department implemented the first phase of the system update this fall. (See timeline below.)

DWD contracted with Nice CXone, a cloud-based Customer Contact Center, through the NASPO ValuePoint Contract to provide call center services. By partnering with this vendor, DWD will have a call center that offers a way to efficiently track and manage customer contacts while adding additional channels for communication. DWD has transitioned approximately one-third of the UI call center phone numbers to this new solution. The new solution provides increased mechanisms for communicating with claimants and provided an opportunity for the integration of an artificially intelligent (AI) chatbot.

DWD is using federal funds for the purchase of the cloud-based communications and messaging center, including \$3,326,400 for chatbot components. Governor Evers has directed \$80 million of American Rescue Plan Act (ARPA) funds to ensure that the UI modernization project is fully funded.

MILESTONES & Timeline	STATUS	START DATE	END DATE
Cloud-based Contact Center			
Requirements to Cooperative Purchasing Vendors	Complete	2/26/21	3/16/21
Vendor Submission of Solutions	Complete	3/16/21	3/26/21
Review Submissions	Complete	3/28/21	4/07/21
Demonstrations	Complete	4/12/21	4/16/21
Call Center Vendor Selection	Complete	4/19/21	5/14/21
DOA Contract Review	Complete	5/27/21	6/2/21
Engagement Addendum: Call Center	Complete	5/28/21	6/18/21
First Implementation	Complete	7/1/21	9/29/21
AI Chatbot			
Engagement Addendum: AI Chatbot	Complete	5/28/21	9/24/21
First Implementation (phased implementation planned for positive customer experience)	Complete	9/24/21	10/1/21
Next Steps			
Continued Expansion of Cloud-Based Call Center			
Continued Expansion of AI Chatbot			

As part of the larger modernization project, DWD is engaging expert consultants to assist in developing successive RFPs for overhauling the many components of the system. DWD evaluated qualified entities to determine whether they would be able to meet the aggressive timeline and needs of this project. As previously reported, DWD entered into an \$1.2 million-agreement with 18F using federal funds and executed a Memorandum of Understanding to receive no-cost preliminary consulting services from U.S. Digital Response (USDR) to help build the RFPs to solicit vendors that will take on additional components of the comprehensive UI modernization project.

18F guided DWD through a process that involved a discovery phase, prototyping and validation sprint, and solicitation development. DWD posted an RFP for a modernization vendor on June 29, 2021, and an amended version based on vendor questions on July 9, 2021. The goal of the RFP was to procure a vendor or vendors that can assist with modernizing the UI eligibility and benefits systems. DWD selected a vendor through a competitive process that included 18 proposers, resulting in successfully identifying Flexion, Inc. as the vendor. In addition, DWD has extended the contract with 18F by four months for an additional \$464,212, bringing the contract total to \$1,664,212. Over the course of the coming months, 18F will continue to partner with DWD to establish regular procedures so that DWD is working effectively with Flexion to begin the work to modernize the UI systems.

On September 29, 2021, DWD announced its contractual agreement with Madison-based Flexion, Inc. to identify and implement technology solutions to modernize the UI system. As detailed in our previous reports, DWD is taking an agile approach to the UI modernization project and procurement processes to address the most immediate needs first and transform the antiquated mainframe systems into an innovative and adaptable information technology system. DWD sought a vendor available with the best overall proposal. Based on the submissions, Flexion was best able to meet all

the components of the project, with a staffing approach that included the right mix of skills to collaborate in the right way with DWD, and demonstrated that they understood the technical needs of the project to approach the encasement strategy in a methodical, iterative way. DWD and Flexion have entered into a one-year agreement, with three optional renewals. The total cost for four years of the project is approximately \$16.5 million, excluding all the hardware and software necessary to support the new system. (See timeline below.)

The contract with Flexion will involve integration of additional off-the-shelf software and cloud-based solutions, along with significant custom software development, as determined through discovery. Considering all elements of the system, including the call center modernization, efforts to address support outside of business hours, IT infrastructure costs (cloud services, code repository, etc.), licensing to support the effort, change management efforts, and other resources that may be needed to support the effort, anticipated costs are projected at up to \$80 million, to be paid for by federal ARPA funds.

UI Modernization MILESTONES & Timeline	STATUS	START DATE	END DATE
Enter into agreements with a vendor to write an RFP	Complete	2/26/21	3/16/21
Accelerated Discovery	Complete	4/1/21	5/13/21
Prototype & Validate Sprint	Complete	5/14/21	8/31/21
Solicitation Development	Complete	6/01/21	6/30/21
Vendor Selection and Award (tentative 60 days)	Complete	7/1/21	8/31/21
Contract Negotiation	Complete	9/1/21	9/27/21
Post-Award/Vendor Management Support	In Progress	9/28/21	1/31/22
Next Steps			
Initial development phases			

In addition to completing phases of the cloud-based contact center, the AI chatbot, and the steps taken to contract with Flexion, DWD has completed several other modernization projects as part of the overall UI modernization effort. These projects include:

- 'Plain Language' Initiative – DWD has made it easier for Wisconsinites to file for UI by updating the language used in the initial and weekly UI claim applications to feature "plain language" as much as possible.
- Claims Portal Upgrade – In March 2021, DWD unveiled an [upgraded claims portal](#) that features better functionality and new features, including secure document upload, a message center for direct communication from claims specialists and adjudicators, text notifications, and a mobile-friendly design.
- Automated Recharging – Since December 2020, DWD has been working on an IT project to automate employer benefit recharging processes. With the nearly 700,000 claims filed during the course of the COVID-19 pandemic, it would have required DWD to hire 120 additional staff working full time for 77 weeks to complete the traditional manual processing of connecting claims to employers' accounts, costing over \$12.2 million in staff costs. The automated recharging project makes updates to the UI-Benefits legacy system and modifies a benefits subsystem and the UI Tax subsystem to apply complex business logic and rules for allocating benefit payments to applicable employer accounts with appropriate proportions and transferring the data needed to do so.

- U.S. DOL Tiger Team – DWD received an award of Tiger Team support from the U.S. Department of Labor to make additional UI customer service and technology improvements. Since August 2021, DWD has been working with the Tiger Team to augment expertise and fast-track forthcoming solutions that will be designed to promote equitable access, improve responsiveness, ensure timely payment of benefits and prevent and detect organized fraud.

We hope you find this information helpful. We will provide the next quarterly update on UI modernization project to you in January 2022. In the meantime, please do not hesitate to contact us with any questions.