STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
DF-46 (REV 07/23)

Fiscal Year	Business Unit Number	Department
2025-26	4150	Department of Managed Health Care

Hyperion Budget Request Name	Relevant Program or Subprogram
4150-009-BCP-2025-GB	3870-Health Plan Program

Budget Request Title
Web Accessible Service Portal (WASP) Replacement

Budget Request Summary
The Department of Managed Health Care (DMHC) requests $618,000 in 2025-26 and $348,000 in 2026-27 from the Managed Care Fund to replace the existing Web Accessible Service Portal (WASP), enterprise service management system.

The existing WASP system is reaching its end of life and requires replacement to maintain service continuity, sustain operational efficiency and comply with Cal-Secure standards.

Requires Legislation (submit required legislation with the BCP)	Code Section(s) to be Added/Amended/Repealed
☐ Trailer Bill Language ☐ Budget Bill Language ☒ N/A	

Does this BCP contain information technology (IT) components? ☒ Yes ☐ No *If yes, departmental Chief Information Officer must sign.*	Department CIO Ralph Cesena	Date 1/10/2025

For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), the approval date, and the total project cost.

Project No. N/A **Project Approval Document:** N/A

Approval Date: N/A **Total Project Cost:** N/A

If proposal affects another department, does other department concur with proposal? ☐ Yes ☐ No
Attach comments of affected department, signed and dated by the department director or designee.

Prepared By	Date	Reviewed By	Date
Rita Pearson	1/10/2025	Gita Mehirdel	1/10/2025
Department Director	**Date**	**Agency Secretary**	**Date**
Mary Watanabe	1/10/2025	Kimberly Chen for Kim Johnson	1/10/2025

Department of Finance Use Only

Additional Review: ☐ Capital Outlay ☒ ITCU ☐ FSCU ☐ OSAE ☒ Dept. of Technology

Principal Program Budget Analyst	Date submitted to the Legislature
Joseph Donaldson	1/10/2025

A. Problem Statement

The Department of Managed Health Care (DMHC) requests $618,000 in 2025-26 and $348,000 in 2026-27 from the Managed Care Fund to replace the existing Web Accessible Service Portal (WASP) enterprise service management system.

The existing WASP system is reaching its end of life and requires replacement to maintain service continuity, sustain operational efficiency and comply with Cal-Secure standards.

Background/History

The DMHC's mission is to protect consumers' health care rights and ensure a stable health care delivery system. Embedded in this mission is the DMHC's responsibility for ensuring Information Technology (IT) is sufficient and secure for the DMHC's data.

The DMHC Office of Technology and Innovation (OTI) and Office of Administrative Services (OAS) currently utilizes the Cherwell enterprise service management (Cherwell) cloud-based solution to manage IT incidents, change requests and asset management as requested by DMHC users and employees. The existing Cherwell system will be discontinued and reach end-of-life on December 31, 2026, after which the cloud service offering will no longer be available for use. The DMHC requires additional funding to migrate its existing Cherwell solution to a new cloud provider to meet mission critical business needs.

The current Cherwell software system and associated costs were funded by the DMHC with the existing budget savings. The current resource funding levels cannot be supported long-term nor are they sufficient to initiate replacement of the Cherwell system while maintaining functionality for the current system. The DMHC is requesting funding to facilitate the procurement of a new platform and fund consulting services required for the successful implementation of the new system.

The DMHC has experienced a significant growth in its workforce, with an approximately 53 percent increase in authorized position authority since 2020-21, following the implementation of the Cherwell software. Additionally, the DMHC has observed a 67 percent increase in service ticket submissions since 2022-23, indicating an increasing volume of support requests.

The following table notes the workload history metrics for service tickets received from 2022-23 through 2024-25.

Table 2 - Workload History

Workload Measure	**2022-23**	**2023-24**	**2024-25** Estimated	**Percentage Increase** (2022 vs. 2024)
Services Tickets for Information Technology and Business Services Requests	10,200	13,000	17,000	67%

B. Justification

The DMHC protects consumers' health care rights and ensures a stable health care delivery system. As part of this mission, the DMHC licenses and regulates health plans under the Knox-Keene Act. The DMHC regulates the majority of health care coverage in California including 96

percent of commercial and government markets. Health plans licensed by the DMHC provide coverage to more than 29 million health care enrollees.

The DMHC's OTI provides technology support, including hardware, software and information security services. The Technology Services Division (TSD), within OTI, is the primary point of contact for all IT needs. The TSD uses the existing Cherwell solution to manage service disruptions, service requests, employee on-boarding/off-boarding and customer IT questions. The Change Control function within the Project Management Office (PMO) and the OTI project Governance process use the Cherwell solution to handle service requests. This includes prioritizing requests, authorizing work, approving schedules, monitoring progress and implementing changes to the IT systems and software to manage risk and minimize disruption to business services.

The DMHC's current solution consists of both IT Service Management and Business Service Management features. A more modern solution will provide real-time access to service data, enhancing decision-making and IT governance. The new enterprise service management solution will use a modern, responsive and intuitive user interface offering improved self-service capabilities while maintaining compliance with security and accessibility standards. This upgrade continues the DMHC's strategy of using low-code SaaS platform to address program needs effectively.

The Office of Administrative Services (OAS) provides a variety of administrative support services to the DMHC, including accounting, budgets, business management services and human resources. The Business Services Unit, within OAS, use the Cherwell solution to fulfill non-IT incidents and non-IT service requests. Meanwhile, the OTI Administrative Services Unit within OAS utilizes the same Cherwell solution to handle IT goods and service requests.

The resources requested in this proposal aim to improve workflow through business process automation. This will lead to greater operational efficiency, better tickets fulfillment within service level agreements and scalability to accommodate the DMHC's growing staffing and workload demands.

Approval of this request will ensure that DMHC staff maintain access to automation and enterprise system management tools to handle increasing ticket workloads beyond December 31, 2026. It will also support future operational efficiencies.

Without an enterprise service management system, the DMHC will lack a proper mechanism for submitting and responding to service requests, compromising its ability to meet Cal-Secure requirements effectively and promptly. Reverting to a manual process involving emails and spreadsheets would be inefficient and inadequate. If this request is not approved, additional staff will be necessary to handle the anticipated ticket volume to ensure timely resolution and compliance with the DMHC service level agreements and Cal-Secure requirements.

The existing Cherwell system will be phased out and reach end-of-life on December 31, 2026. The DMHC requires a modern, workflow driven enterprise service management platform to replace its existing Cherwell software.

The DMHC has determined that the following resources are necessary to facilitate the procurement of a new platform and fund consulting services required for the successful implementation of the new system.

Consultant Services

The DMHC is requesting consultant funding of $268,000 in 2025-26 and $137,000 in 2026-27 to implement a modern enterprise service management solution with a more accessible and intuitive user interface as compared to the current Cherwell software. This cost is based on an estimated $169 hourly rate and approximately 2,300 hours, and the DMHC's experience with similar system enhancements and modernizations in a low-code (minimal code) development platform.

The use of consultant funding in lieu of civil service classifications is requested due to the immediate high-level expertise needed. The workload is not ongoing and is not sufficient to support a permanent civil service resource. The consultant funding is contingent upon approval of Project Approval Lifecycle (PAL) documents.

Annual Licensing Costs

The DMHC is requesting annual licensing costs of $66,000 in 2025-26 and $69,000 in 2026-27 to support the acquisition of a new platform. Beginning in 2027-28 and each year thereafter, the ongoing annual licensing costs will be absorbed within the DMHC's existing budget as the current Cherwell system is phased out.

The DMHC estimates the total cost to be $618,000 in 2025-26 and $348,000 in 2026-27 only.

This cost estimate includes $284,000 in 2025-26 and $142,000 in 2026-27 for the California Department of Technology (CDT) IT Project Approval PAL oversight and related CDT fees. This cost is based on CDT's $218 per hour rate and an estimated 1,200 hours in 2025-26 and 600 hours in 2026-27, plus fees.

C. Departmentwide and Statewide Considerations

The DMHC's existing Accessible Service Portal (WASP) enterprise service management system is reaching its end of life and requires replacement. Replacing the current system is critical to maintaining operational efficiency, service continuity, security and compliance with Cal-Secure standards.

This proposal supports the California Health and Human Services (CalHHS) goal of improving administrative functions and eliminating outdated processes and functions by addressing antiquated legacy systems that affect health plans, risk bearing organizations and third-party review organizations when they interact with the DMHC.

This proposal also supports the CalHHS goal that the delivery of our programs and services yield concrete and meaningful results and to better address our health care consumers' needs while furthering our goal of delivering positive outcomes, which will directly improve the lives of Californians.

D. Outcomes and Accountability

Approval of this proposal will provide the DMHC with the necessary resources to ensure continuing operation, enhance security and meet compliance standards of an automated enterprise service management solution beyond 2026.

The following table notes the projected service tickets outcomes that would be addressed by the enterprise service management solution.

Projected Outcomes

Workload Measure	2025-26	2026-27	2027-28
Services Tickets for Information Technology and Business Services Requests. Based on anticipated 22% increase each year (rounded).	20,500	25,000	30,500

E. Implementation Plan

The DMHC is planning to start implementing this IT project in July 2025. The project is expected to be completed by December 31, 2026.

F. Supplemental Information

This request will be funded through annual assessment of the health plans that are regulated by the DMHC. The fiscal impact of this request to full-service health plans would be approximately $0.01 per enrollee during 2025-26 and 2026-27.

Attachment A: BCP Fiscal Detail Sheet

BCP Fiscal Detail Sheet

BCP Title: Web Accessible Service Portal (WASP) Replacement

BR Name: 4150-009-BCP-2025-GB

Budget Request Summary

Operating Expenses and Equipment

Operating Expenses and Equipment	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
5340 - Consulting and Professional Services - Interdepartmental	0	267	134	0	0	0
5340 - Consulting and Professional Services - External	0	264	135	0	0	0
5344 - Consolidated Data Centers	0	22	11	0	0	0
5346 - Information Technology	0	65	68	0	0	0
Total Operating Expenses and Equipment	**$0**	**$618**	**$348**	**$0**	**$0**	**$0**

Total Budget Request

Total Budget Request	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
Total Budget Request	**$0**	**$618**	**$348**	**$0**	**$0**	**$0**

Fund Summary

Fund Source

Fund Source	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
State Operations - 0933 - Managed Care Fund	0	618	348	0	0	0
Total State Operations Expenditures	**$0**	**$618**	**$348**	**$0**	**$0**	**$0**
Total All Funds	**$0**	**$618**	**$348**	**$0**	**$0**	**$0**

Program Summary

Program Funding

Program Funding	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
3870 - Health Plan Program	0	618	348	0	0	0
Total All Programs	**$0**	**$618**	**$348**	**$0**	**$0**	**$0**