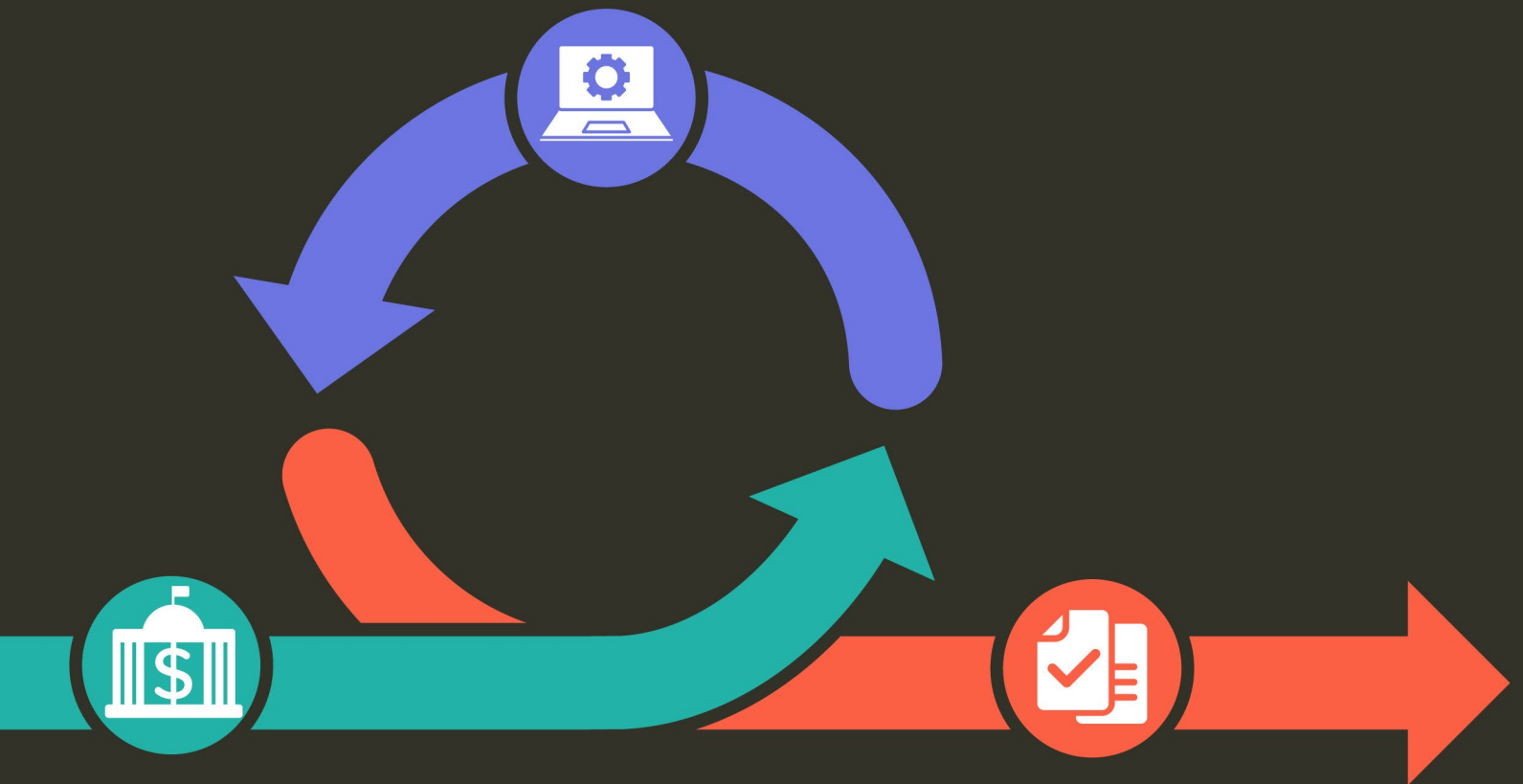


Modernizing Medicaid and Benefits Systems

Technology, procurement & financing
strategies to own your systems



Introduction

Every year, states spend billions of dollars on the systems that determine whether people can access critical public benefits programs like Medicaid and the Supplemental Nutrition Assistance Program (SNAP). Too often, that money goes towards keeping what already exists running. The obligation to operate and maintain large, monolithic systems that are difficult to update and expensive to fix leaves states little room to modernize. The contracts behind these systems frequently lock states into working with a single vendor, sometimes for a decade or more.

So why is modernizing state benefits systems so hard when there's broad agreement that this isn't the best way to do things? One major reason is that technology, procurement, and financing decisions are made separately, and each constrains the others. The norms around those decisions reward compliance and caution, so even states that set out to adopt outcomes-driven systems get pulled back toward the default.

This guidance explains how states can make those decisions differently by aligning the three domains – technology, procurement, and financing – from the start.

It builds on years of work by the Open Contracting Partnership (OCP) helping governments buy technology and services more effectively, including our ongoing

work in public benefits. We draw on conversations with state leaders, agency staff, and practitioners who work to maintain and improve these systems every day, as well as national experts and advocates pushing for reform. We call this group the “field” throughout.

The guidance itself is informed by OCP's work with the State of Colorado, where we supported the Colorado Benefit Eligibility and Enrollment Systems (CoBEES) team with their modernization effort. It also draws on the procurement and planning documents states use, including solicitations, statements of work, quality assurance plans, and Advance Planning Documents (APDs) from across the country.

Who this guidance is for

This guidance is written first and foremost for the state teams who live this process: state Medicaid agencies, eligibility staff, APD teams, and procurement and contracting offices. It is also meant to be useful to leaders at the Centers for Medicare & Medicaid Services (CMS) and the Food and Nutrition Administration (FNA), the federal agencies that approve and oversee the federal funds behind benefits technology. Technical assistance organizations and field builders who support states through this work should find it useful, too.

How this guidance is structured

The guidance is organized in three sections.

The first section lays out three principles that we believe states should adopt when approaching technology, procurement, and financing decisions for Medicaid Enterprise Systems (MES):

1. Start from outcomes, not requirements
2. Own and direct your systems
3. Commit to continuous improvement.

These are well-recognized principles in the field. What has been lacking is a framework for applying them together *across* the three domains that we see as fundamental to improving MES: technology, procurement, and financing. In other words, the principles apply to the technology a state builds, the way it procures that technology, and the way it finances the design, implementation and continued improvement of that technology through the federal Advance Planning Document (APD) process.

The second section offers six strategies for states to put these principles into practice. It draws on approaches states have already used in their own MES acquisitions or acquisition planning.

1. Build a team that can act across the three domains with real authority behind it.
2. Ground outcomes in the people who live them, and write those outcomes into the procurement and the APD.
3. Open the planning phase to the staff who'll run the system and the vendors who'll build it.
4. Build modularity, and the capacity to use it.
5. Use Time and Materials contracts and hold vendors accountable for outcomes.
6. Bring a "product mindset" to federal approvals.

Some of the practices we suggest are well established; others stretch what states have typically attempted and are still being tested. We include them because the need for reform is urgent. Throughout, we point to where states can act now, and where the biggest opportunities for further reform lie, particularly in financing, which reformers have largely ignored even though it shapes what is possible in the other two domains.

The third section looks ahead. It sketches what a better APD and federal financing process could look like if the current paradigm shifted, including the possibility of a world without APDs at all, at least as they are currently understood.

The problem

How states buy benefits technology today

States receive substantial federal funding for Medicaid Enterprise Systems (MES), the technology used to administer Medicaid and, where states have integrated eligibility and enrollment (IE&E) processes, other benefits programs like the Supplemental Nutrition Assistance Program (SNAP) and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). These systems determine access to benefits for more than 74 million people, and states spend billions of dollars a year to build, operate, and maintain them.

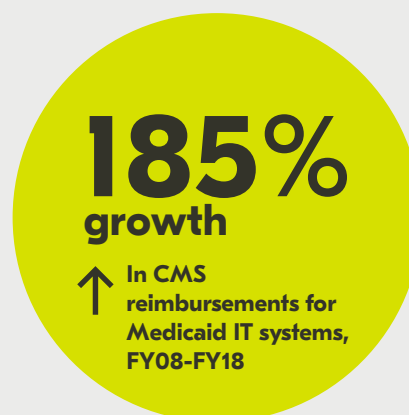
According to the Government Accountability Office's 2020 review of Medicaid IT systems, the amount the Centers for Medicare & Medicaid Services (CMS) reimbursed states for Medicaid Management Information Systems (MMIS) and eligibility systems grew 185 percent between FY2008 and FY2018, from \$1.66 billion to \$4.74 billion a year, totaling \$34.3 billion over the decade.

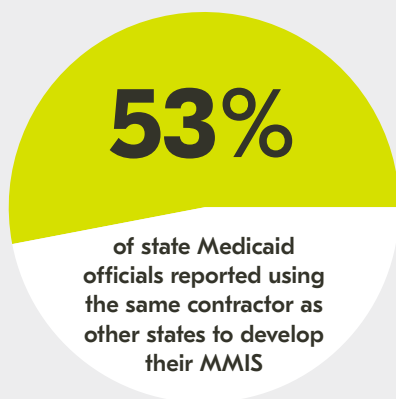
To access this funding, states submit detailed plans to CMS through the Advance Planning Document (APD) process. Only once CMS approves these plans can a state draw down funding for its MES/IE&E. In this guidance, we often refer to this process,

which includes three distinctive phases (Planning, Implementation, and Maintenance & Operations), as "financing."

Historically, states built these systems through single large procurements, usually Requests for Proposals, routinely awarded to one large vendor under a Firm Fixed-Price (FFP) contract. These vendors then maintained and operated the system for years, sometimes decades, at enormous expense. States, CMS, and field experts broadly agree that this serves neither beneficiaries nor budgets well. The legacy systems and their substantial lifecycle costs persist anyway, as does the dominance of a few, large vendors.

In Iowa, Accenture has operated the state's Medicaid eligibility system for more than a





decade under a contract worth more than \$60 million, and recent federal policy changes alone are expected to add tens of millions more. New Mexico budgeted \$194 million in 2018 for its Medicaid Management Information System Replacement (MMISR); by FY2023, the total cost estimate had grown nearly 56 percent to \$302.2 million, according to the New Mexico Legislative Finance Committee. Costs like these vary state to state, but the pattern – one vendor, one large contract, one long horizon – usually does not.

These systems are also frequently *monolithic*: eligibility rules, case management, correspondence, worker interfaces, public-facing applications, and reporting features are built as a single, tightly coupled application. A change to one part sometimes requires redeploying the whole system. So even a routine adjustment, like a policy update, can take months to implement and cost far more than it might if the system was built as loosely coupled modules. And because states purchased finished *systems*, rather than investing in the organizational capacity to own and direct the development of a product themselves, vendors usually retain the knowledge needed to modify and improve them. In Texas, eligibility staff rely on dozens of manual workarounds for problems that would require an expensive fix to the

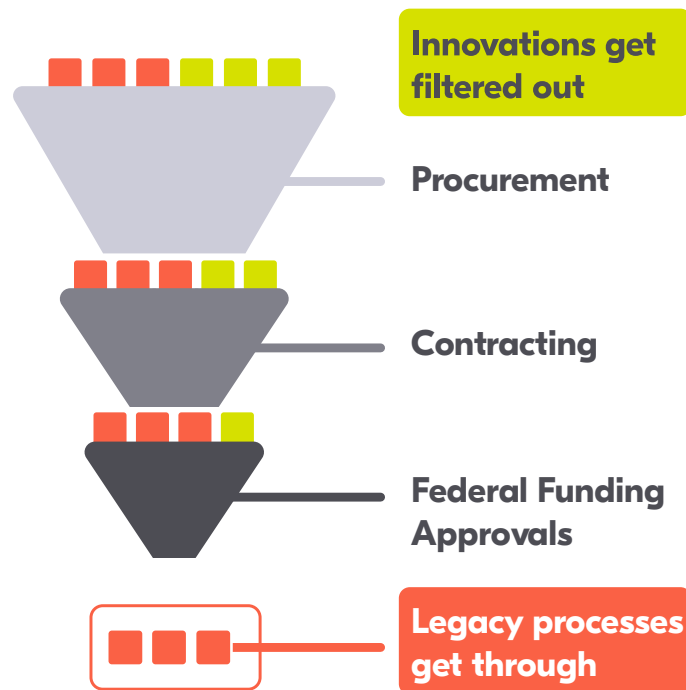
codebase, which only the vendor can perform. KFF Health News found 45 active workarounds in Texas as of 2023, many of them “temporary” fixes that had quietly become permanent. This knowledge sits with an exceedingly small set of vendors. Among state Medicaid officials responding to a 2020 GAO survey, 53 percent (25 of the 47 states that answered the question) reported using the same contractor as other states to develop their MMIS, which points to both the extreme concentration of the vendor market and the missed opportunities for reuse that could translate into cost savings across states.

We refer to this combination – large single-vendor contracts, fixed-price structures, and monolithic architecture – as the status quo, not because it’s widely accepted as the *best* way of approaching MES acquisition, but because it persists *despite* efforts to move beyond it. Indeed, states like Washington, Vermont, Alaska, Minnesota, and Colorado have each departed from it in some respect, and we draw on their experience throughout this guidance.

Why the status quo persists, and why reform hasn’t spread

Many of the decisions that lead to the dominance of monolithic, single-vendor systems are justifiable on their own terms. For example, a single large fixed-price contract *appears* to move risk off a state’s books, which makes it easier to defend to a procurement officer. In practice, though, the state assumes the risk regardless. When a vendor makes an error that causes a system to fail, the state is still on the hook for the consequences: millions may lose their benefits and fixing the problem often requires more spending with the existing vendor. Large contracts also reduce exposure

Why potential alternatives don't stick



to delays in the federal approval process. Federal agencies must approve, disapprove, or request more information within 60 days of receiving a state's submission, but the process can take much longer due to requested revisions. Fewer, larger requests mean less time waiting.

Alternatives exist, but they put other kinds of pressure on the state. Using smaller contracts with Time and Materials (T&M) payment structures, which support agile delivery (see Strategy 5), can mean more vendors to coordinate. And taking on systems integration internally requires technical capacity many agencies don't have. These tradeoffs are real. States cannot conjure additional product or engineering capacity from thin air. So the range of viable alternatives narrows as the state runs into the constraints of technology, procurement, and financing. Decisions in these three domains act like a funnel, restricting the modern practices a state can realistically adopt.

Some modern strategies do get through, but only sporadically and only in some states. And even within a state they often reach only one part of a program or one corner of the system rather than the system or organization as a whole.

Code for America's Integrated Benefits Initiative

helped Michigan redesign its combined SNAP and Medicaid application, cutting completion time to under 20 minutes. According to another partner, Civilla, Michigan's technology team became directly involved in user research alongside its vendor, a shift in how the state understands and can direct its own system.



But a technology design win like this is fragile if the underlying contract structure doesn't also give the state practical control of the system, and the requirements for obtaining federal matching funds create pressure to minimize the review timeline. Transforming the

status quo in technology, procurement, and financing simultaneously is much harder than doing so in one domain alone. This is one reason more holistic, durable change across a state's benefits systems remains rare.



Colorado is a partial exception. In its work replacing the Colorado Benefits Management System (CBMS), the State, working with OCP, Gary Community Ventures, Code for America, and others, has approached transformation across technology, procurement, and financing simultaneously and as one connected effort rather than three separate ones. The modular architecture it intends to build is shaping the design of its procurement strategy and its engagement with CMS and FNA.

It's early, and not every choice Colorado has made will translate directly to other states, but it's the clearest example we have currently of a state trying to adopt a holistic decision-making framework that aligns the three domains. We return to Colorado as a case study at points throughout this guidance.

Three domains, one decision

When a state acquires an MES/IE&E system, it's making decisions in three domains at once, and the funnel metaphor illustrates what happens when those decisions aren't made together. This is the core problem this guidance addresses.



Technology: what the state is building, including system architecture, integration, and data infrastructure



Procurement: how the state is buying it, including contract structure, sequencing, and governance



Financing: how the state is paying for it, including the APD process and federal match rates

Alignment across these three domains takes more than better coordination between state offices and agencies. It requires an overarching modernization strategy, with a different starting point for how decisions are made in each. The next section proposes three guiding principles for making those decisions.

Three principles for advancing agile benefits procurement

This section sets out three principles for technology, procurement, and financing decisions for MES: 1) start from outcomes, not requirements; 2) own and direct your systems; and 3) commit to continuous improvement.

By a *principle* we mean a norm that one can apply to an action or decision, in this case, to decisions about a state's approach to technology, procurement, and financing. The principles below are widely applicable across states, regardless of their specific context. Part 2 sets out strategies that embody these principles and shows how states can put these principles into practice in their own MES modernizations.

Guiding principles matter because they allow individuals and agencies with different responsibilities and expertise to align their activities around standards they all understand. This is what makes progress stick and *scale* within a state. Strong guiding principles

should also help states tell *real* progress from progress in name only, such as a modular system architecture with multiple vendors and contracts that still gives vendors functional control over decisions about the codebase, or an outcomes section in an otherwise traditional, requirements-focused RFP.

None of these three principles is new. The U.S. Digital Service (USDS), Code for America, and the Beeck Center for Social Impact and Innovation have each made a case for an outcomes-first, user-centered approach to benefits technology for years, mostly at the level of system and service design. The Niskanen Center has recently argued for wider adoption of a product operating model for continuous, outcome-based delivery of public sector technology over fixed-scope projects. What's new here is applying these principles not just to technology but to procurement and financing decisions too.

	 Technology	 Procurement	 Financing
1 Start from outcomes, not requirements	Design traced to beneficiary/worker experience	Solicitations built around outcomes, not specs	Funding requests justified by outcomes, not activities
2 Own and direct your systems	In-house product/engineering capacity	Solicitations and contracts that deliver true modularity, paired with active, ongoing vendor management	APDs framed around the state's roadmap, developed in partnership with CMS
3 Commit to continuous improvement	Continuous delivery, no final cutover	Vendor relationships managed as ongoing, not milestone-based	Match rates and APDs that don't assume a finish line

1. Start from outcomes, not requirements.

Ask: Does this decision trace back to a beneficiary or worker outcome?

Rules out: Requirements-first procurement, "on time and on budget" as a definition of success.

While often endorsed in technology design, less has been written about applying this principle to procurement, before a vendor is selected or a line of code is written. A few states are already demonstrating how outcomes, rather than requirements, can drive the procurement process. Minnesota's modernization strategy, which explicitly contemplates "rethinking procurement to reward results instead of promises," pairs

outcomes for members, staff, and partners with directional goals (i.e. an increase or decrease in a measurable indicator), rather than a fixed requirement.

What's new: This guidance argues that a procurement strategy and its justification in federal funding requests should trace back to outcomes the same way a technology or product strategy might.

2 Own and direct your systems.

Ask: Does this decision help the state retain operational control over its MES, or transfer it to a vendor?

Rules out: Certified-modular architecture without in-house product and engineering capacity; interfaces and data models only a vendor understands.

Federal regulations require that states retain all ownership rights in software, modifications, and documentation built with federal financial participation (subject to a federal license, and with proprietary commercial products exempt). But formal ownership and practical control are not the same thing. A state can hold every legal right to a system and still be unable to change or improve it, because the people who understand the code work for the vendor, the contract gives the vendor control over how changes are made, and the vendor retains both the knowledge of how the underlying data is organized and operational access to it. Meaningful ownership requires shifting knowledge and control back to the state.

Some states have started to put this into practice. Washington structured its

modernization around product teams that are state-led with vendors used for staff augmentation, rather than vendor-led modernization with state oversight. This is a small but consequential shift in who actually directs the work. Alaska has said it will release software from its modernization project into the public domain under Creative Commons Zero (CC0) licensing, so no vendor, including the one that built it, would have any special claim over it.

What's new: Whether a state can direct its system depends on its contract terms, its in-house capacity, and its access to and understanding of its own data. This guidance focuses on how states can approach procurement and contracting to retain real control over their systems.

3 Commit to continuous improvement.

Ask: Does this decision assume the system will eventually reach a stable, completed state, or does it assume ongoing change?

Rules out: Treating full replacement as the default way to modernize; treating maintenance as a lesser, terminal phase.

In a continuous improvement model, work is delivered in regular increments, the state keeps a standing product team and a road-map, and it decides what to build or improve next as it goes. Continuous improvement and

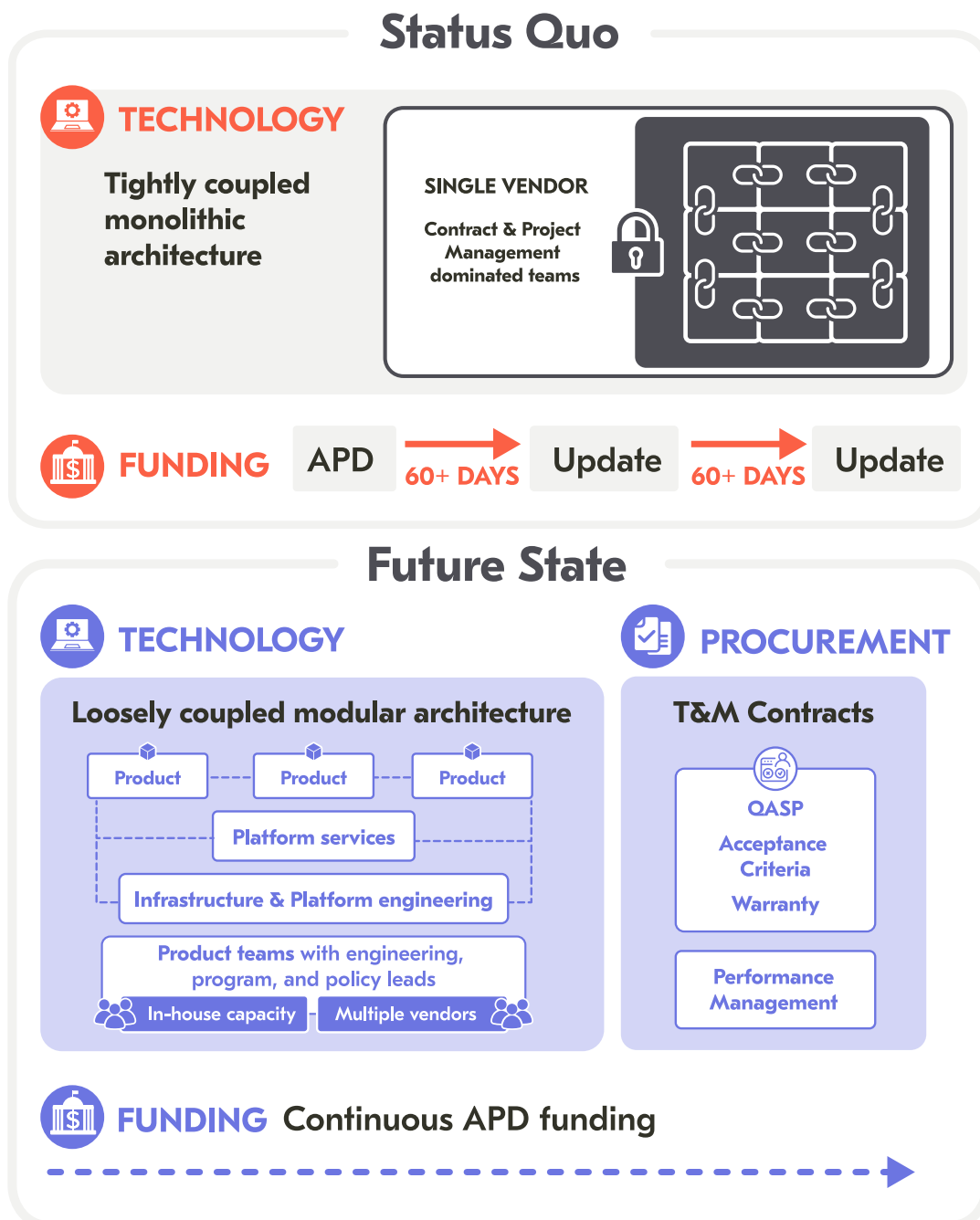
iterative delivery are hardest to square with the constraints of financing MES acquisitions. The federal match pays 90 percent for planning and design, development, and implementation (DDI) and 75 percent for maintenance

and operations (M&O), which assumes a clean boundary between phases. A state that wants continuous improvement and iterative delivery must work within a funding structure built for projects that start and end.

What's new: This guidance argues that the definition of “done” in the development and implementation of benefits technology needs

to change. Later sections share how Colorado is testing what that could look like in practice, and in Part 3 we focus specifically on what that means for financing.

Applied together, these three principles are a test of whether a decision moves the state toward a system that it can change, and that works for the people who use it.



Six tactics for putting the principles into practice

This section sets out the specific strategies that states can adopt to put these principles into practice, drawing on what states are already doing, and what we've heard from experts and practitioners across the field.

 Strategies to align decisions when modernizing benefits systems	 Relevant principle
1 Build a team that can act across procurement, technology, and financing, with real authority behind it.	Own and direct your systems
2 Ground outcomes in the people who live them, and write those outcomes into the procurement and the APD.	Start from outcomes, not requirements
3 Open the planning phase to the staff who'll run the system and the vendors who'll build it.	Commit to continuous improvement
4 Build modularity, and build the capacity to use it.	Own and direct your systems
5 Use Time and Materials contracts and hold vendors accountable for outcomes.	Start from outcomes, not requirements
6 Bring a "product mindset" to federal approvals.	Own and direct your systems

1 **Build a team that can act across procurement, technology, and financing, with real authority behind it.**

No single office is positioned to make decisions across procurement, technology, and financing domains at once, and that's exactly what a modernization effort needs. Each domain usually sits in a different part of the organization, with its own leadership, incentives, and timeline.

In practice, building an empowered, cross-functional team requires three things. First, someone with the authority to protect the effort politically, such as a Governor's office or an agency head. Second, a senior leader who can operate effectively across procurement, technology, and financing day-to-day, acting as a connector between them. Third, a team that sits within the state, not the vendor, to direct, oversee, and sometimes do this work.

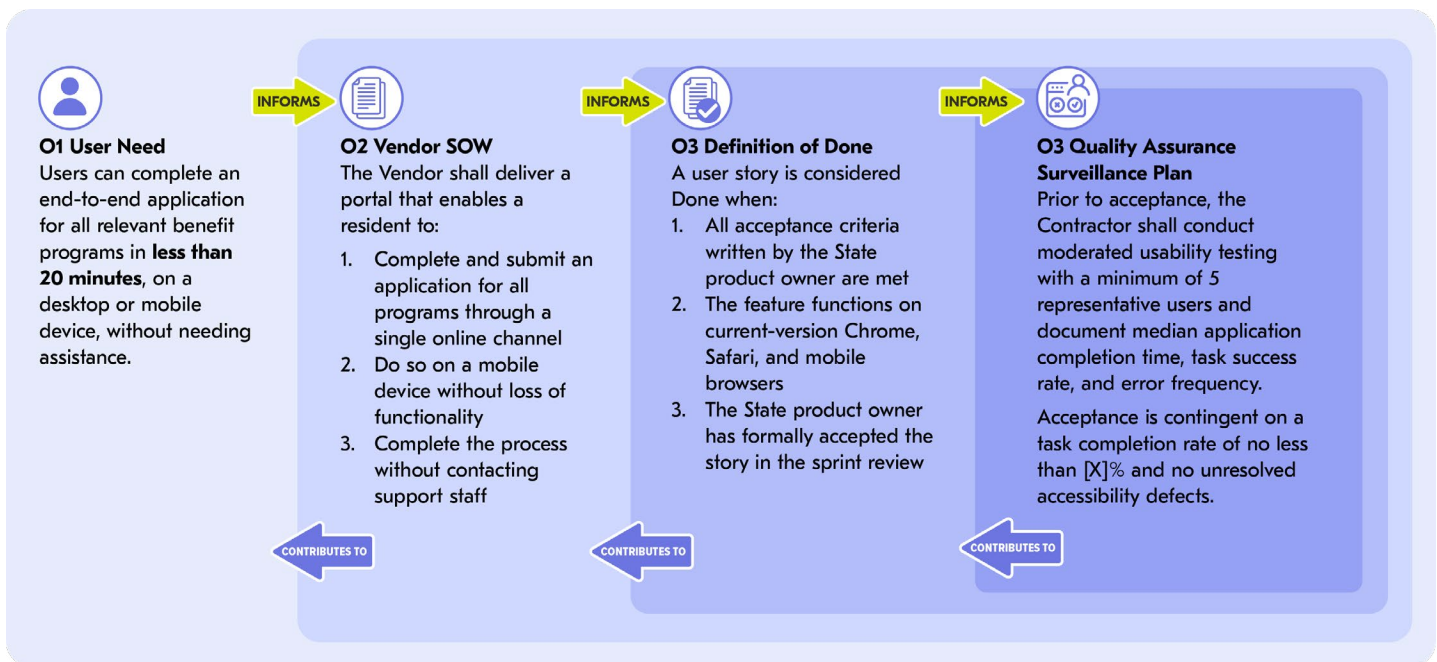
Colorado's approach to its Colorado Benefits Management System (CBMS) re-procurement shows one version of this. In a presentation to the state legislature's Joint Technology Committee in January 2025, the Colorado Department of Health Care Policy and Financing (HCPF) described shifting its budget request toward a smaller, more senior team (see slide 7): a "product-centered and user-centered procurement process," with fewer term-limited staff in technical roles, expertise brought in-house rather than left to vendors, and closer collaboration with counties built in from the start. Governance was structured to match (slide 16): a Steering Committee of HCPF leadership, a Program Committee coordinating portfolio managers, and portfolios and module teams empowered to do the work, tied together by a single

Colorado Medicaid Enterprise Solutions (CMES) Portfolio Manager accountable for the program as a whole. Colorado Digital Service (CDS) sits alongside that structure as embedded, in-house capacity: it conducts design research directly with counties and residents, provides product roadmapping support, and builds shared understanding of the front- and back-end ecosystem (PEAK and CBMS) across the agencies involved, rather than leaving that knowledge with a vendor. Washington took a similar but distinct approach, structuring its modernization around an IE&E Program Office holding the program manager and solution architect roles, a dedicated Platform Team, and product teams described as "state-led with vendor staff augmentation" rather than vendor-led.

Both states have committed to meaningful changes in organizational structures, with committees, named roles, and embedded in-house teams. Institutionalizing the reform this way matters because these structures are more resilient to staff turnover and major political transitions than a single office or individual holding the whole effort together.

2 **Ground outcomes in the people who live them, and write those outcomes into the procurement and the APD.**

Start with the outcomes that matter to the people who use the system – applicants, recipients, eligibility workers – not the requirements that are easiest to write down. Code for America's Integrated Benefits Initiative has made this case for years, defining success around a client-centered "North Star" rather than a technical specification. What most states still don't do is carry that into the procurement and funding request.



A single outcome should trace through every layer of a solicitation, from the scope through to the acceptance terms.

Take a North Star outcome like an application that takes 20 minutes or less to complete, an example adapted from [Washington's IE&E Modernization Roadmap](#). That single outcome can anchor every layer of the solicitation below it:

- ✓ **Cover page or overview:** the North Star outcome itself, setting direction for vendors without prescribing how to build the product
- ✓ **Contract level:** what the vendor delivers over the engagement, and how that serves the North Star
- ✓ **Agile increments:** how each unit of work is evaluated, and when it counts as complete
- ✓ **Acceptance:** how the vendor validates each increment with users before the state signs off

CMS certification and to some extent the APD approval process are already organized around outcomes. [Appendix D](#) of the IAPD template used by CMS includes fields for specific outcomes and asks states to report against them. So the precedent for outcomes-first financing exists. For it to be more effective, states should use it earlier, when planning an MES acquisition. CMS' [certification guidance](#) recommends that states outline their planned outcomes and metrics *before* drafting the APD at all, and stay in frequent contact with their CMS MES State Officer throughout the drafting process, rather than filling in Appendix D once major decisions about design and architecture are locked in.

Foregrounding outcomes like this is sometimes seen as being in tension with Time and Materials (T&M) contracts, since T&M pays for effort rather than a defined deliverable. Strategy 5 addresses how to hold vendors accountable for outcomes under exactly that kind of contract.

3 Open the planning phase to the staff who'll run the system and the vendors who'll build it.

Bring county staff, eligibility workers, and vendors into planning before technology, procurement, and financing decisions are locked in. A decision is more likely to hold up once implemented if the people who'll run it and the people who'll build it helped shape it.

States can gather vendor perspectives before a procurement opens through RFIs, market research, or vendor days. This can help shape the state's thinking without giving any single vendor an advantage or a conflict of interest once bidding starts. Once a procurement is live, that channel closes. Vendors can inform how the state frames the problem, but they can't help write the requirements they'll later bid on.

Federal regulation already creates room for this on the financing side. 45 CFR § 95.610(a) treats planning as its own phase, separate from implementation (which includes procurement activities), and calls a Planning APD (PAPD) "highly recommended" for large statewide projects, specifically so states have dedicated, fundable time to work through technology, procurement, and financing decisions together before committing to any of them.

Minnesota's approach shows how states might open the planning phase to vendor input. It published its full modernization strategy as a public Request for Information (RFI) before writing a formal RFP, and framed the process

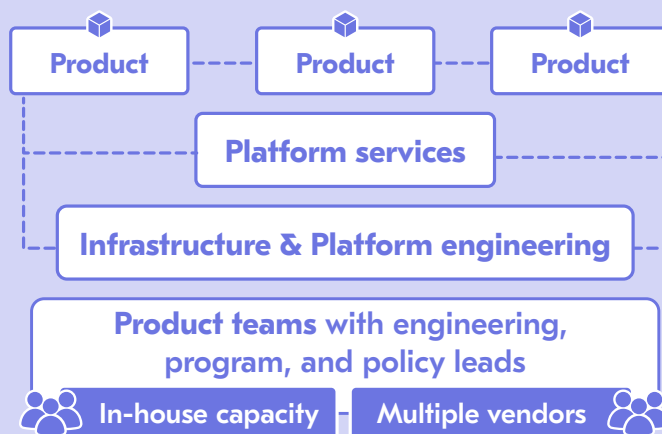
as an invitation to collaborate rather than a perfunctory step in the procurement. The RFI closed in September 2025; how many vendors responded and what the state changed as a result isn't public yet, but the mechanism itself – publish the strategy, take structured input, revise before finalizing – is one other states can adopt.

4 Build modularity, and the capacity to use it.

Break the system into separate, replaceable parts. If possible, assign in-house staff (e.g. product manager, engineer, designer etc.) who understand its interfaces, can manage vendors developing code, and can act on what they learn as the module is designed, developed, tested and implemented. CMS requires this, but states often end up buying *modules* without achieving the benefits described in CMS's guidance: modules can be added or replaced as needed, helping states "avoid prolonged development efforts and vendor lock-in."

Modularity should give states control and flexibility. But the system architecture alone can't deliver that. Without in-house capacity to

Loosely coupled modular architecture



direct the system, switching vendors or making improvements to modules doesn't necessarily become easier, because the knowledge and control are still primarily retained by the vendor.

To do this well:

- **Break the system into modules based on the desired outcomes.** Legacy systems may have functions that are distinct on paper – eligibility rules, case management, correspondence, public applications – but the underlying architecture may be so tightly coupled that the boundaries between them are difficult to identify in practice. Those functions are a reasonable starting point, but the outcomes that matter most, both to users and the state, should determine how the system is divided: the experience of benefits recipients and eligibility workers, the ability to make changes quickly and cost effectively in a shifting policy landscape, and the flexibility to switch vendors easily.
- **Decide how and what to build, buy, or configure module by module, not for the whole system at once.** Building custom software allows states to retain the most control but requires the most capacity to oversee and sustain. Development can happen directly, via design and engineering capacity internal to the state, or indirectly through the purchase of custom software development services via the type of T&M contracts we discuss below. This differs from *buying a system* as the deliverable of a firm fixed-price contract, which hands control of the result to the vendor. Configuring commercial off-the-shelf (COTS) products represents a middle ground: how much control is actually retained depends on what the contract says about configuration rights

and data ownership, not on the software itself. A state can reasonably make different decisions for different modules, eligibility rules versus a call center platform, for example.

- **Separate business rules from the underlying code,** so a policy change doesn't require a full redeployment. CMS has required this since 2011, specifying that business rules should be kept distinct from core programming.
- **Staff each module.** Assign in-house product and engineering capacity to specific modules and name an accountable owner per module, not one general oversight role for the whole system.

Colorado's approach to its CBMS re-procurement does this last piece directly. Its governance structure names specific portfolios and modules, each with its own accountable owner, rather than one label of "modular" applied to the system as a whole.

5

Use Time and Materials contracts and hold vendors accountable for outcomes, not outputs.

Where possible, opt for Time and Materials (T&M) contracts over firm fixed-price ones, and build in mechanisms that cap spending, tie payments to a published Definition of Done, name a state role with acceptance authority, and evaluate performance continuously rather than at one final deliverable.

T&M is the contract structure that most readily accommodates agile delivery, since the state isn't locked into a fixed set of specifications written before anyone understood the problem. It's also what makes procurement



staff nervous: a vendor billing for time, with no fixed deliverable to hold them to, can look like a vendor who could just walk away with the state's money.

That risk is real if a state manages a T&M contract the way it would manage a firm fixed-price one, waiting for one big deliverable at the end. States can mitigate this risk by tying payment to the vendor's delivering code that meets agreed accepted criteria.

A well-structured version of this model does several things at once:

- **Caps spending without guaranteeing volume.** A not-to-exceed amount limits what the state can be billed on a given contract, and issuing the contract doesn't obligate the state to issue any actual work.
- **Ties payment to a published Definition of Done, not hours worked.** Nothing is authorized until a specific piece of scope, a Backlog Item, is tied to a written Definition of Done. Retainage on that piece of work isn't released until the state confirms, in writing, that the definition has actually been met, not when the vendor says it's finished.
- **Puts a named state role in charge of**

acceptance, and dispute resolution. A designated Delivery Manager, not the vendor, decides whether delivered work meets the Definition of Done, with an Executive Steering Committee to resolve disputes that can't be settled at that level.

- **Evaluates continuously, not once.** A recurring Value Report, covering what was delivered, what it cost, and what's blocking progress, becomes the basis for whether more work gets issued at all, rather than a single deliverable review at the end.
- **Can run vendors in parallel.** Some models let a state issue similar Work Orders to multiple vendors at once specifically to compare real, demonstrated delivery, not just proposals.

Washington's Quality Assurance Surveillance Plan (QASP) for its IE&E modernization contract sets response-time standards and requires a backlog review each sprint, both tracked continuously rather than at a final milestone. Minnesota's modernization strategy goes even further: each "slice" of work has its own shared definition covering customer feedback, compliance, data integrity, and operational readiness, evaluated every cycle.

None of this works without a state role empowered to make the calls a fixed spec used to make automatically: what gets prioritized, what counts as done, when a vendor's work gets accepted or sent back.

Strategic Innovation (SI) Delivery Consulting's professional services contract template works through a full version of this model in contract language a state could adapt directly.

Strategy 6 covers how to get a contract like this through financing, since a T&M structure like this raises its own questions for the APD and federal match.

6

Bring a “product mindset” to federal approvals.

Engage CMS as a partner in the strategy, not just the reviewer of a finished plan. CMS’s certification guidance recommends that states outline planned outcomes and metrics before drafting their APD, and stay in frequent contact with the assigned MES State Officer throughout the process of preparing the document. Most states default to treating the APD as a compliance filing, finished internally and then sent for review, which means that the first time CMS sees a state’s strategy is often also the first time it can raise a concern. Instead, states should treat APD review as a strategic conversation, engaging CMS early to explain what they want to accomplish and how their strategy supports the outcomes federal agencies care about while stewarding federal funds responsibly.

This matters most exactly where strategy 5 leaves off. Using T&M contracts, with a spending cap and no fixed final deliverable, doesn’t map cleanly onto the compliance categories an APD reviewer might be used to seeing. Federal rules already require prior CMS approval for contract amendments once changes exceed certain cost or time thresholds, so a contract structured around monthly Work Orders and evolving scope is likely to trigger those approvals repeatedly. Raising this with State Officers upfront, as a challenge to navigate together, before the APD is submitted, turns a structure that could look like a compliance risk into one CMS has already agreed makes sense for this kind of engagement.

The same strategic conversation matters for continuous improvement. As Principle 3 lays out, the 90 percent match rate for Planning

and DDI and the 75 percent M&O rate assume a system eventually finishes, but a state committed to continuous delivery never really exits DDI, it just keeps producing new increments of design, development, and implementation indefinitely. Whether a given round of ongoing work still qualifies at the higher DDI rate or automatically drops to M&O once a system launches isn’t something a state should discover for the first time when a claim gets rejected. It’s a boundary worth raising directly with CMS as part of the strategic conversation this strategy argues for, state by state, ahead of Part 3’s broader case for redrawing that line at the federal policy level.

In practice, that means:

- **Share the strategy before the APD is final**, the same way you’d share a work-in-progress with an internal stakeholder.
- **Frame the funding request around what CMS actually cares about:** functioning technology and cost containment, not checklist compliance.
- **Flag contract structures that don’t fit the standard mold early**, like a T&M contract with recurring approval touchpoints, so CMS understands the model before it shows up as a series of individual amendment requests.

The future state

Parts 1 and 2 focused on what a state can do within the current rules. This section is about what should change at the federal level and what that could look like in practice. We focus on financing specifically because it's the domain most overlooked as a site for reform, and because it sets the horizon of what's possible in technology and procurement. A state can restructure its contracts and its architecture, but it's still building inside whatever the federal APD process allows.

Universal APDs with modular components

Right now, the Advanced Planning Document is structured around phases that describe how a whole system is planned, built, and then enters a period of maintenance and operations, with periodic enhancements. Different types of APDs, the Planning APD (PAPD), Implementation APD (IAPD), and Operational APD (OAPD), correspond to those phases under 45 CFR § 95.610. But if modularity means a system is made of independent, replaceable parts, the APD might be more effective if it were **structured around the modules that make up a state's system instead**, which could feasibly be in different phases – planning, implementation, or maintenance – at any given moment.

Smaller components with smaller individual funding requests could help shorten implementation timelines, especially if prior approval requirements are further relaxed to support agile development.

Critics could argue that organizing the APD around modules could create more paperwork. It also assumes CMS and other federal agencies have the capacity to review and approve many more funding requests than they currently handle. Changing what is approved and when could address these risks. A single or "universal" state-level APD, covering all modules and all programs, could be used to establish, through the formal approval process, a state's technology roadmap, its cost allocation methodology, and its spending envelope, with individual modules moving between planning, implementation, and operation inside that envelope without a separate approval needed each time. Federal review and approval would move away from transaction-by-transaction authorization to a periodic review of a state's strategy, portfolio or "stack", and the results it has achieved. This model is arguably more faithful to CMS's outcomes-based approach and how it asks states to demonstrate progress. This shift would not necessarily reduce *what* or *how much* states document. Rather, it would reduce how often that documentation must be

reviewed and approved before work can start, which is one of the features of the current paradigm that pushes states toward planning years of development in advance.

Continuous Design, Development, and Implementation (Continuous DDI)

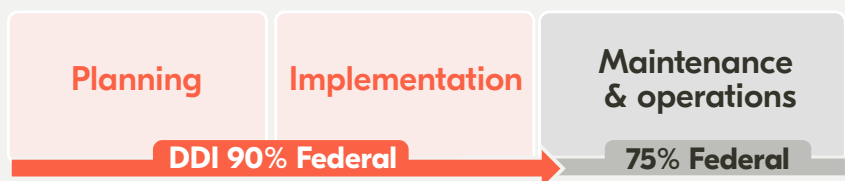
A universal APD with modular components would work best paired with a shift in how federal agencies classify activities for match funding. Under the proposed modular APD, each module would still need to be classified as being in either Planning, Design, Development, and Implementation (DDI) or Maintenance and Operation (M&O) to determine its match rate. Planning and DDI qualify for a 90 percent federal match, while M&O qualifies for only a 75 percent match. The rates are set in statute, so changing them would require legislative amendments. But CMS and other federal agencies have discretion over how they characterize activities, and thus considerable control over what qualifies for the higher rate. As a means of both allowing for more meaningful adoption of agile-based approaches and incentivizing the shift to the product operating model, CMS and other federal agencies could move towards a model of *continuous DDI*, wherein a state with a robust roadmap and product backlog, minimum staffing and state capacity to oversee vendors using an agile framework, and that meets streamlined modular

certification standards, could be approved to include a larger scope of activities in the category of DDI.

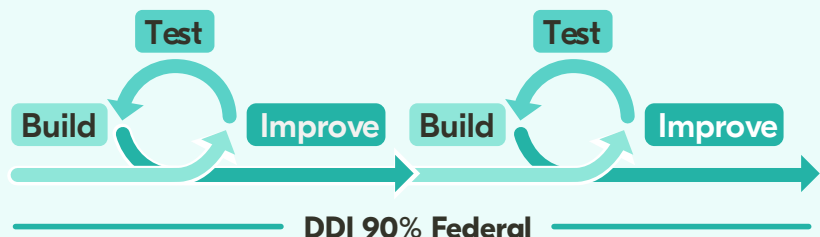
We believe this change is worth exploring with CMS and other federal agencies.

Could continuous, iterative improvement be treated as the norm, rather than maintenance and operation being the “neutral” state for systems between larger rebuilds or re-procurements? A possible objection might be that categorizing a wider array of activities as DDI would increase the cost of MES, when cost containment and reduction is a priority for federal and state governments alike. However, even if the match rate for *continuous DDI* activities remained 90 percent, it’s plausible that total federal spending would still fall over time, since continuously improved systems tend to accrue less technical debt and need fewer expensive, wholesale replacements. This is a hypothesis, not a finding. Neither we nor anyone else, to our knowledge, has

Today: build once, then maintain



Proposed: continuous improvement (continuous DDI)



tested it. Doing so would require more robust analysis of total federal spending under the current paradigm, compared against a modeled continuous-DDI alternative. Much of the data needed already exists in APDs and expenditure reporting, but it hasn't been assembled. We think this is worth the field's investment.

Shared product roadmap, and shared visibility

We believe the components of the APD could eventually be replaced by a shared “public” product roadmap. Rather than assembling a large document two or three times a year describing work the state can't yet specify in detail, a state could maintain a live roadmap that federal reviewers see and interact with continuously. This wouldn't eliminate the compliance functions an APD serves. Cost allocation methodology and analyses of alternatives would still require review and approval. But whole sections of the APD that currently serve to clarify and map a state's planned procurement and software delivery activities over long timescales could live in a continuously updated roadmap instead. The roadmap could also serve as a requirement for continuous DDI funding, further reinforcing the product operating model. This would relieve some of the pressure that pushes states toward monolithic, big-bang implementations in the first place.

This is not to say that states do not already use product roadmaps as they manage MES. What we are advocating for is that those roadmaps be shared – with CMS and other federal funding partners, and with other states. Right now, a state has limited visibility into how its peers are approaching modernization.

Shared visibility across states would allow live, continuous roadmaps to serve a dual purpose:

1. ensure effective oversight and stewardship of federal funds without creating overly burdensome processes that discourage agile approaches, and
2. create shared infrastructure that helps states learn from each other, so an innovation in one state can benefit all.

The prospect of shared visibility raises an obvious question about what belongs in the open and what doesn't. Most of the information a shared product roadmap would include is uncontroversial: outcomes, milestones, user story backlogs, what has been shipped and when. However, we believe greater visibility into vendor pricing across states through a similar, shared infrastructure is an important innovation for the field to pursue.

Commercial sensitivity and fair competition mean that pricing must be handled differently and published at the appropriate time during procurement, contracting, and implementation. But without pricing transparency and visibility, nobody can tell whether states are paying a reasonable price for the systems, modules, and improvements that comprise MES. A state negotiating a contract with a vendor for the delivery of a system or module typically has one reference point – its previous contract – while the firms, given the market's concentration, hold contracts in dozens of states. Comparable pricing is the only way for a state to determine whether a quoted rate reflects a reasonable price for the type and scope of work or simply the absence of a viable alternative. It would also allow states (and other stakeholders like CMS) to see whether they are paying different prices for functionally similar technology.



About Open Contracting Partnership

Open Contracting Partnership is an independent non-profit public charity 501(c)(3) working in over 50 countries. OCP is a silo-busting collaboration across governments, businesses, civil society, and technologists to improve public procurement by designing goal-driven reforms, building coalitions of change and co-creating digital solutions, powered by open data. OCP ensures public money is spent openly, fairly and effectively on public contracts, delivering fundamentally better public spending outcomes that benefit people and protect the planet.

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