Own your technical destiny:

A guide to modernizing legacy systems for state HHS leaders



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Why agencies feel stuck

Eligibility systems are decades old. Caseworkers spend hours on manual work that these systems were never built to handle. Families are waiting longer than they should for answers. In order to actually improve services, the entire system needs to change.

Legacy vendors who built these systems still hold the code, the data, and the leverage. Every time an agency raises the idea of making improvements, the same fear comes up: Will the vendor hand over the data?

Agencies often feel stuck within these massive contracts, and so they wait the contracts out. They keep paying, sometimes tens of millions of dollars a year, for a system they've outgrown. Why? Because breaking away feels riskier than waiting. That's what happens when agencies don't own their technical destiny.

This guide covers what's changing for state health and human services (HHS) agencies, what's holding agencies back, and what modernization looks like with a partner built for this moment.

"Owning your technical destiny doesn't mean doing everything yourself. It means having the freedom to work with new vendors, adopt new technology, and never be boxed in by the system you started with."

Anthony Flot
Public & Social Impact,
Senior Director for Medicaid
and Integrated Eligibility

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What's pushing agencies to act: Funding, compliance, and fraud

Federal funding for modernization is arriving as compliance requirements tighten and fraud schemes grow more sophisticated. These pressures are bigger and more costly than in the past, and agencies are ready to make real change.



Compliance and funding, arriving together.

H.R. 1 requires most states to implement Medicaid work requirements by January 2027. Eligibility redeterminations for expansion adults also move to every six months, up from once a year. If systems can't keep up, agencies risk losing eligible people from the rolls—not because they stopped qualifying but because the technology could not track their eligibility effectively.



Fraud has modernized. The systems have not.

Catching modern fraud schemes with decades-old eligibility systems is a losing battle. Every dollar lost to fraud is a dollar that doesn't reach a family who needs it.



The public's patience for slow technology is gone.

People are used to their phones updating overnight. When a legislature changes a policy, the public expects it to show up in weeks, not years. The multiyear implementation timelines that were once normal for government no longer meet today's demands.

The case for modernizing is stronger than it's been in years, so what's keeping agencies from acting?

The biggest reason is vendor lock-in—when a vendor's control over an agency's data makes leaving too risky. Other reasons agencies wait include:

- **A lack of documentation** because nobody who built the system still works at the vendor.
- **The system is too critical.** Modernizing risks breaking the system, which means providers don't get paid and people don't get care.
- **Director tenure is too short.** No one wants to start a project they won't see through to the end.

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Modernization: The old approach vs. the new approach

For decades, modernizing a legacy system meant one thing: Replacing it, all at once. Agencies had to buy a new system, migrate everything over, and hope the "big bang" go-live didn't take down operations for the people depending on it. That approach is high-risk, high-cost, and increasingly unnecessary.

Cloud made it possible to modernize one piece at a time.

Instead of a single all-or-nothing system purchase, agencies can now modernize individual functions, such as provider enrollment, case management, and eligibility, on their own timeline. This ability lowers the risk associated with "go-live" and simplifies the transition for staffers who must learn new tools while keeping the lights on.

AI has changed what agencies can do.

Systems that once seemed impossible to touch, such as undocumented mainframe code written by a workforce that's since retired, are now more approachable. AI can help read and translate that decades-old code that no one on the team fully understands or owns.

Data must be ready first.

Legacy systems were built to process transactions, not answer questions. Before AI can produce dependable results, the data that fuels AI must be cleaned up and standardized. Without that foundation, AI becomes harder to trust, govern, and scale.

Why the "big bang" approach doesn't work anymore

Replacing an entire system at once means a single go-live carries all the risk. If something breaks, providers don't get paid, and families don't get services, while the vendor's contract stays intact. Piece-by-piece modernization spreads that risk out and lets agencies show results and value along the way.

How to start without replacing anything

One approach, popularized by the federal Centers for Medicare & Medicaid Services, is a systems integration platform. This layer connects existing systems and pulls their data into a shared, AI-ready format. It takes pressure off aging infrastructure and empowers agencies to modernize the pieces that matter most first, without a system-wide replacement. And while vendors to date have struggled to deliver on this promise, the value remains accessible to agencies when their vendor partner puts the power back in their hands.

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Slalom is built for this moment

Vendors that benefit from lock-in won't help agencies escape it. Slalom's approach is different by design.

Agencies get more from what they've already bought.

The same integration approach that lets agencies modernize piece by piece also applies to the systems they own now. Instead of writing off past investments, we connect them so the money already spent keeps working.

Agencies own what gets built.

When Slalom builds a system with an agency, the agency owns the source code, the intellectual property, and the data, every time. The system lives in the agency's cloud environment, not ours.

Agencies are never locked into our product line.

Slalom isn't tied to a single cloud provider, software product, or technology stack. We work across the cloud platforms that agencies already use, such as AWS, Google Cloud, and Microsoft Azure, and recommend what fits the problem, not what fits our product line.

Agency teams build with ours, and we stay through delivery.

How much ownership an agency's team takes on is up to the agency. Slalom regularly delivers these complex systems, so we meet teams at the level of involvement they need. And we continue to iterate and support teams for as long as they need us.

We also work across the broader ecosystem agencies rely on: Salesforce, ServiceNow, Snowflake, Databricks, and more.

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Maintenance is where lock-in usually happens

In this industry, vendors often underbid the initial build, then make their margin back on maintenance contracts after the agency is locked in. Those contracts are usually priced on hours and headcount, so the vendor earns more when the work piles up. That's how so many agencies end up trapped by the contract that keeps a system running, long after the system stopped serving them.

Slalom's Agentic Managed Services puts AI agents to work on that maintenance instead.



Agents handle the routine, repeatable work that eats up maintenance budgets, such as triaging issues, diagnosing known problems, and drafting fixes. Human experts oversee the agents, and the agency decides what goes live.



For example, when a policy changes, an agent can read it, draft the code change, test it, and route it for the agency team's approval. The agency team starts from a tested draft, which shortens the path from policy change to production.



Agents earn more independence one step at a time. They start by working in the background alongside staff, with no effect on live operations, and take on more only as they prove accurate. The work can run inside the agency's own cloud environment, the agency owns the data, and every agent action is logged so staff can see what was done and why. Slalom also contracts for measurable results, such as how quickly issues get resolved, and shares accountability for hitting them.

"Slalom builds these systems so that you don't need us. That's how we earn the right to have you want to keep us."

Andrea Danes
Global Health and Human Services Leader

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What co-created modernization looks like

6 months

From project kickoff to user acceptance testing

50%

Estimated time saved on caseworker admin work



In one recent example of modernizing a child welfare system, a state agency and Slalom built the new case management system together.

State employees worked on every part of development, instead of just reviewing it at the end. Six months after kickoff, the system was already in user acceptance testing, with a state caseworker running the demo. That caseworker estimated the new system would save caseworkers about half the time they typically spent on administrative work. That's time they can put right back into serving families.

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What it looks like to start modernizing

For state and agency leaders ready to take the next step, here's a practical guide to getting started.

Let's have a conversation:

Define the problem.

The best conversations bring program and IT leaders together on the agency side, so the business need and the technical reality are at the table at once. On Slalom's side, that usually means an industry expert, a technical lead, and someone from our local market team who knows your state.

Workshop together.

The next step is a working session to dig into the problem you're trying to solve and scope a first project, not the entire multiyear modernization roadmap.

Contract one project at a time.

Rather than defining and funding a multiyear initiative up front, agencies that get the best results start small: define one piece, contract for it, and use the results to build the case for the next piece.



What to bring to the first workshop

- **Your priorities.** If you have a rough idea about which systems to tackle first, share it. You know your systems best.
- **Your policy and system documentation,** even if it's incomplete.
- **Your funding sources,** requirements, drivers, and constraints.

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Let’s improve services together

The pressures on state HHS agencies aren’t going away, but neither is the opportunity in front of them. Funding mechanisms have shifted, and the tools to modernize safely, piece by piece, now exist. What’s missing is a partner who can help agencies use those tools without trading one kind of lock-in for another.

Slalom will be that partner. We help agencies get more out of what they already have, build systems they own, and keep those systems running. We stay because agencies want us there, not because they’re contractually obligated.

If you’re ready to start owning your technical destiny, the first step is a conversation. **Let’s have it.**

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