

Medicaid Management Information System Completion**FY2010 Request: \$14,990,300****Reference No: 41501****AP/AL:** Appropriation**Project Type:** Information Systems**Category:** Health/Human Services**Location:** Statewide**Contact:** Arnold Liebelt**House District:** Statewide (HD 1-40)**Contact Phone:** (907)465-1870**Estimated Project Dates:** 07/01/2009 - 06/30/2014**Brief Summary and Statement of Need:**

This request is for the replacement of the Department's current computerized Medicaid Management Information System. Department's Mission: To promote and protect the health and well being of Alaskans. This project supports the Department's mission by containing costs in the system that administers funding for medical care for Alaskans.

The end result to which this project contributes is "To provide quality management of health care coverage services to providers and clients."

Funding:	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	Total
Fed Rcpts	\$8,782,300						\$8,782,300
G/F Match	\$6,208,000						\$6,208,000
Total:	\$14,990,300	\$0	\$0	\$0	\$0	\$0	\$14,990,300

<input checked="" type="checkbox"/> State Match Required	<input type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased - new	<input checked="" type="checkbox"/> Phased - underway	<input type="checkbox"/> On-Going
41% = Minimum State Match % Required		<input type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

Operating & Maintenance Costs:

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	0
Totals:	0	0

Additional Information / Prior Funding History:

CH30/SLA07/P95/L18 - \$1,204.1 GF/\$10,836.8 Federal

CH82/SLA06/P73/L24 - \$1,791.2 GF and \$16,120.4 Federal

CH135/SLA00/P14/L25 - \$2,032.8 AHFC Dividends/\$477.2 GF/\$22,590.0 Federal

CH103/SLA95/P37/L29 - \$483.5 GF/\$7,262.6 Federal

Project Description/Justification:

Information Technology Capital Project Review Form

1. Has this project been previously approved? Yes

2. What is the purpose of the project?

The Alaska Medicaid program was implemented in July 1972 to provide medical assistance to recipients found eligible under Title XIX of the Social Security Act. In addition, medical services were funded by the State under the General Relief Medical program. Since 1979, Alaska has moved from a manual intensive, State-operated system, to a fully mechanized fiscal agent-

operated claims processing system. Following a competitive procurement in 1987, First Health Services Corporation was selected to provide Medicaid and General Relief Medical fiscal agent services for the State.

In FY1996, the Department received funds and released a Request for Proposals to procure a new claims payment system. The project was designed to provide a new system that would allow the State to implement significant new cost containment measures previously unavailable due to structural constraints in the system being used at the time. The Department received one proposal, and, after lengthy negotiation with the bidder, rejected the proposal. The proposed cost was much greater than the FY1996 funding for the system replacement. The Department decided to use part of the available funds to upgrade the Medicaid Management Information System (MMIS) to meet immediate needs and to request additional funding for system replacement. Additional funding was appropriated in FY2001.

With the FY1996 funding and the FY2001 funding, the Department initiated a computerized MMIS replacement project in FY2003. The project was designed to replace the current system that processes health care provider claims for the Medicaid eligible population. The new system was being developed by the incumbent fiscal agent, First Health Services Corporation and was scheduled to be implemented in September, 2005. First Health Services Corporation experienced significant difficulties in delivering the project in a timely manner within the contract specified amount. In September 2005, First Health Services Corporation ceased work on the project, and after negotiations between the Department and First Health Services Corporation failed to achieve an acceptable settlement, the development contract was terminated by the Department in December 2005.

A contract beginning October 1, 2007 was awarded to Affiliated Computer Services to develop the MMIS. The development project is currently scheduled to run through May 2010. The system must operate for six month before the Centers for Medicare and Medicaid Services will begin the certification process. The Centers for Medicare and Medicaid Service will only reimburse the state at 50% of the approved rate until the new system is certified.

Project Budget Summary

The original planning document showed the project cost to be \$45.5 million. With the appropriation of \$39.8 million, this left the project with an initial shortfall of \$5.7 million. As the project developed, the Department realized that the technical assistance contract and additional state staff would be needed for an additional six months for the period between project completion and project certification. This created an additional project cost of \$2,985,100 above the original planning document. In August 2009 Affiliated Computer Services informed DHSS that the source code upon which the Alaska system is based would be delayed adding an additional 13 months to the project. This delay requires implementation of additional federal mandates as part of the project and creates an additional project cost of \$6.3 million.

Financial information for the project is summarized below:

	Total	GF	Federal
Project Budget:	\$45,524.9	\$4,579.4	\$40,945.5
Previous Appropriations:	(\$39,810.0)	(\$3,981.0)	(\$35,829.0)
Difference:	\$5,714.9	\$598.4	\$5,116.5
Fund Source			
Fed Disallowance:	\$0.0	\$4,500.0	(\$4,500.0)
State Only Cost:	\$0.0	\$182.1	(\$182.1)
Total:	\$0.0	\$4,682.1	(\$4,682.1)
Post Completion:	\$2,985.1	\$298.5	\$2,686.6
Delay:	\$6,290.3	\$629.0	\$5,661.3
Total Request:	\$14,990.3	\$6,208.0	\$8,782.3

Change in Fund Source - \$4,682.1

The federal government requires submission of a planning document for projects receiving federal funding. The federal government approved the Department's planning document, but disallowed federal reimbursement for \$4.5 million of the costs of the project. This now requires the use of more General Funds than what was originally requested from the Legislature. The planning document also identified \$182,100 of state only costs within the project. (State only costs require general funds and do not receive any federal reimbursement.) The state only costs are for the estimated percentage of Chronic and Acute Medical Assistance payments processed by the MMIS system, as Chronic and Acute Medical Assistance is not a federal program. In the original budget requests, all costs of the project were anticipated to be 90% federally reimbursable. A fund source change from federal to general fund of \$4,682.1 is requested for these two costs.

Project cost:	Capital:	
	Prior Years	FY 2010
General Fund Match	\$3,956.0	\$6,208.0
Other Funds (AHFC Div 1139)	\$2,032.8	0
Federal Funds *	\$56,809.8	\$8,782.3
Total **	\$62,798.6	\$14,990.3

*\$2.9 million of this amount were federal funds that were not usable because they did not have a general fund match.

**\$22.2 million of the prior years' amount were used for the previous contract with a vendor who was unable to deliver the MMIS system.

3. Is this a new systems development project? No

Upgrade or enhancement to existing department capabilities? Yes

4. Specifically, what hardware, software, consulting services, or other items will be purchased with this expenditure? (Include a line item breakdown.)

	Total	GF	Federal
Contractual:	\$14,990.3	\$6,208.0	\$8,782.3
Total:	\$14,990.3	\$6,208.0	\$8,782.3

5. How will service to the public measurably improve if this project is funded?
 Electronic transfer of funds to participating providers for provider payments will be possible. Electronic remittances will be transmitted to provider bank accounts instead of producing paper checks and mailing them to providers. Putting this functionality in place will improve HIPAA transactions when they are implemented.

As part of the DHSS move to a standardized paperless environment, the simple procedures and capabilities of the new MMIS will encourage providers to submit claims electronically. The global implementation of HIPAA will make the process of billing a payer more uniform and therefore more cost effective for providers.

Electronically submitted claim adjustments enhancement involves accommodation of electronically submitted adjustments on electronically submitted claim transactions. Putting this functionality in place will improve the use of HIPAA transactions when they are implemented.

6. Does project affect the way in which other public agencies will conduct their business? No
7. What are the potential out-year cost implications if this project is approved? (Bandwidth requirements, etc.) The majority of the transactions (medical claims, authorizations, check issuance, provider and recipient inquiries to call centers) will be performed on the vendor's systems and not on the State's wide area network. The State's interface to the system will be web based and predominately inquiry in nature. The only concern may be the size of the inquiries made by any State agency and how to move and store those data sets outside of the MMIS. Network access will have to be maintained between the vendor and the State's network.

8. What will happen if the project is not approved?
 Among the many improvements that may be realized by replacing the 20-year-old MMIS are:
- Full/value-added use of electronic data interchange (EDI) between the state of Alaska and the health care providers using state-of-the art technology, therefore the current reliance on human resources is vastly decreased or eliminated
 - Ability to capture and store all data using national standard transactions and code sets
 - Ability to automate processes that are currently performed manually

- Ability to analyze all data for use in monitoring, evaluation, and payment of various services/programs (such as participation, costs, trends, authorization requirements, coverage, impacts of efforts to change, etc.)
- Ability to facilitate electronic fund transfer to reimburse health care providers (rather than production and mailing of paper warrants/checks)

- Updated technology platform requirements permitting ease of maintenance, enhanced user capabilities, and increased flexibility in design structure. Having such a robust platform will allow for increasingly complex program design (participation, coverage, limitations, exceptions, etc.) with minimal cost for updates and/or changes over time

- Increased use of web-based technology for submission and retrieval of information including the addition of a website designed for use by the recipient population

- Additional performance standards requiring value-added service by the fiscal agent including enhanced self-monitoring, evaluation, reporting and corrective action planning procedures

The state of Alaska will not realize the benefits of increased automation, flexibility, full data analysis, and increased internal and external user capabilities if required to continue to rely on the outdated technology limitations of the existing 20-year-old MMIS.