

**Medicaid Management Information System Completion****FY2008 Request: \$12,040,900****Reference No: 41501****AP/AL:** Appropriation**Project Type:** Information Systems**Category:** Health/Human Services**Location:** Statewide**Contact:** Janet Clarke**House District:** Statewide**Contact Phone:** (907)465-1630**Estimated Project Dates:** 07/01/2007 - 06/30/2012**Brief Summary and Statement of Need:**

This request is for the replacement of the Department's current computerized Medicaid Management Information System.

<b>Funding:</b>	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	Total
Fed Rcpts	\$10,836,800						\$10,836,800
G/F Match	\$1,204,100						\$1,204,100
<b>Total:</b>	<b>\$12,040,900</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$12,040,900</b>

<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
10% = 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
<u>One-Time Startup:</u>	<u>0</u>	<u>0</u>
<b>Totals:</b>	<b>0</b>	<b>0</b>

**Additional Information / Prior Funding History:**

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 FY2008

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 MMIS system to meet immediate needs and to request additional funding for system replacement. Additional funding was appropriated in FY2001.

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With the FY1996 funding and the FY2001 funding, the Department initiated a computerized Medicaid Management Information System 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. The State and First Health Services Corporation have filed administrative claims, and those are being reviewed.

The current legacy system is antiquated and still requires replacement in accordance with industry standards and the Federal Centers for Medicaid and Medicare Services. In order to reinitiate and complete the project originally started in FY2003, the department is requesting \$12,040.9 capital funding. The Federal Centers for Medicaid and Medicare Services provides 90% federal participation in computer systems development funding with a 10% state general fund match requirement.

The cost of this project is derived from a cost benefit analysis that was prepared for the department under a technical assistance contract. Since the State began this project, costs have increased for a couple of reasons. One is normal cost escalation over time because of the time since the project started. The other is that there is now increased demand for systems and limited supply. There are only a few companies capable of designing an MMIS and there are 14 or 15 states currently procuring systems.

The project is anticipated to be completed and fully implemented 18 to 24 months after a contract is awarded.

<b>Project cost:</b>	<b>Capital:</b>			<b>Annual O&amp;M costs or savings</b>
	<b>Prior Years</b>	<b>FY 2007</b>	<b>FY 2008</b>	
General Funds	\$960,747.06	0	0	
General Fund Match	0	\$1,791,200	\$1,204,100	
General Fund Program Receipts	0	0	0	
I/A Receipts (dept. and fund source)	0	0	0	
Other Funds (name and fund number)	\$2,032,800	0	0	
Federal Funds	\$29,852,600*	\$16,120,400	\$10,836,800	
<b>Total</b>	<b>\$32,846,099*</b>	<b>\$17,911,600</b>	<b>\$12,040,900</b>	

\*\$2,911,100 of this amount was federal funds that were not usable because they did not have a general fund match.

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.)

**TRANSFER SOFTWARE AND ANCHORAGE FACILITY ESTABLISHMENT**

The costs were calculated based on limited input from the private sector predicting the likely ranges of costs for the various constituents of this group of costs. The anticipated cost of the software license for COTS could be under or over stated because potential procurement respondents are reluctant to expose their pricing strategy prematurely. Some software costs will possibly be included as part of other software costs. There are also other costs associated with the prime contractor's requirement to integrate the COTS with MMIS functions for TPL, Retrospective DUR, Drug Rebate, EPSDT or other unknown limitations in the COTS package.

Claims Processing Software License (Initial)

The costs calculated for Claims Processing Software License - \$3,500,000

This includes the following processes:

Claims Processing  
Claims Payment  
Remittance Advice  
Financial Processing  
Bank Reconciliation  
Accounting Interface with the State  
Recipient  
Provider  
Reference  
Home and Community Based (HCB) Waivers  
Prior Authorization  
Claim Review Software Development/Modification {may be stand alone}  
POS Software Development/Modification {may be stand alone}  
Prospective DUR Software Development/Modification {may be stand alone}

**DSS Development/Modification**

The costs calculated for DSS Development/Modification - \$5,450,000

This included the following processes:

Current MMIS historical archive  
Future MMIS historical archive  
EPSDT  
MARS

**Claim Check (Bundling) Software Development/Modification**

The costs calculated for Claim Check Software Development/Modification - \$300,000

This may alternatively be included within Claims Processing.

**Claim Review Software Development/Modification**

The costs are assumed to be included with Claims Processing Software.

**Drug Rebate Software Development/Modification**

The costs calculated for Drug Rebate Software Development/Modification - \$100,000

**TPL Software Development/Modification**

The costs calculated for Third Party Liability Software Development/Modification - \$150,000

This includes the following processes:

Preventing payment of claim until other liability is satisfied  
Detecting possible other liability and facilitating recovery after claim is paid

**Retrospective DUR Software Development/Modification**

The costs calculated for Retrospective DUR Software Development/Modification - \$150,000

**POS Software Development/Modification**

The costs are assumed to be included with Claims Processing Software.

This includes the following processes:

Processing all pharmacy claims  
Prospective DUR Software {may alternatively be stand alone}

**Prospective DUR Software Development/Modification**

The costs are assumed to be included with POS Software.

**MARS Software Development/Modification**

The costs are assumed to be included with DSS Software.

**SURS Software Development/Modification**

The costs calculated for SURS Software Development/Modification - \$800,000

**Incremental Site/Facility Acquisition & Upgrade**

State of Alaska Capital Project Summary

FY2008 Governor

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The costs calculated for Incremental Site/Facility Acquisition & Upgrade - \$1,000,000

This includes the following processes:

- Rental Space for Contractor and State Personnel
- Hardware/Software to Interface with MMIS and Other Software
- Rental Space Upgrades needed by Hardware

#### DEVELOPMENT SUPPORT PERSONNEL

The Support Personnel listed here includes certain resources that are traditionally subsumed in Fiscal Agent overhead costs plus the IV&V effort. These are:

- Data Conversion
- Network/Data Base Management System (DBMS) Support
- User Training
- Technical Assistance Contractor

#### Data Conversion

The costs are assumed to be included with software costs.

This includes the following processes:

- Claims Processing Data Conversion
- DSS Data Conversion
- POS Data Conversion

#### Network/DBMS Support

The costs are assumed to be included with software costs.

#### User Training

The costs are assumed to be included with software costs.

This includes the following processes:

- State Personnel Training
- Provider Training

#### Technical Assistance Contractor

The costs calculated for Technical Assistance Contractor - \$900,000

- Independent Verification and Validation (IV&V) Consultant

5. How will service to the public measurably improve if this project is funded?

Electronic transfer of funds to participating providers for provider payment 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 system. 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 Medicaid Management Information System (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 Medicaid Management Information System (MMIS).

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."