

Medicaid Management Information System Completion**FY2012 Request: \$3,283,800****Reference No: 41501****AP/AL:** Appropriation**Project Type:** Information Technology /
Systems / Communication**Category:** Development**Location:** Statewide**House District:** Statewide (HD 1-40)**Impact House District:** Statewide (HD 1-40)**Contact:** Arnold Liebelt**Estimated Project Dates:** 07/01/2011 - 06/30/2016**Contact Phone:** (907)465-1870**Brief Summary and Statement of Need:**

This request will fund the completion of the department's Medicaid Management Information System (MMIS) through implementation from October 2011 through October 2012. The implementation date has been moved from October 2011 to April 2012. An additional 6 months from April 2012 to October 2012 is required for certification of the new system. This request will fund the cost resulting from this delay.

Funding:	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	Total
Fed Rcpts	\$2,280,420						\$2,280,420
G/F Match	\$1,003,380						\$1,003,380
Total:	\$3,283,800	\$0	\$0	\$0	\$0	\$0	\$3,283,800

<input 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
0% = 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:	1,551,800	0
Ongoing Operating:	0	0
One-Time Startup:	0	
Totals:	1,551,800	0

Additional Information / Prior Funding History:

CH43/SLA10/P2/L25 - \$6,208.0 GF/\$8,782.3 Federal

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

CH82/SLA06/P73/L24 - \$1,791.2 GF/\$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:

1. Does project meet a constitutional or statutory responsibility? (If so, state the requirements.)

History

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) system 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.

This 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 (ACS)* to develop the MMIS system. This contract remains in place.

2. Does project address a life, health or safety issue? (If so, explain the specific critical need.)

This project addresses a health issue. The new MMIS will allow for faster claims processing and better overall operations of the Alaska Medicaid programs which should improve healthcare for recipients.

3. Does project reduce state operating costs? (If so, how and identify the savings.)

The new web-enabled MMIS system will change many manual processes required of state staff to automated processes which will significantly reduced personnel time and can allow the Department to focus personnel to other aspects, issues and projects.

Electronic remittances will be transmitted to provider bank accounts instead of producing paper checks and mailing them to providers which will greatly reduce operating costs. Additionally, putting this functionality in place will improve the Health Insurance Portability and Accountability Act (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.

4. Does project leverage private sector or local funds? (If so, explain the matching requirements and conditions.)

This project does not leverage private sector funds. The Center for Medicare & Medicaid Services (CMS) will only reimburse the state at 50% of the approved rate until the new system is certified. Once the system is certified CMS will reimburse the state at 90%. The new MMIS system must operate for six months before CMS will begin the certification process.

5. Does project create on-going private sector jobs? (If so, explain the specific economic impacts and jobs projected to occur during both the project construction and operation.)

N/A

6. Does project facilitate transfer of responsibility to local or private sector? (If so, explain how and the time frames for implementation.)

N/A

7. Describe what the request will buy in terms of the physical product. Include project characteristics, site features or other physical factors.

This request will allow completion of an existing project. Health Care Services estimates the need for continued funding to support 18 staff positions for an additional six months at a cost of \$1,064,195; 8 staff positions for the six month pre-certification period at a cost of \$487,611; technical assistance contractual (TAC) support at a cost of \$1,700,000 (\$141,666 per month) for an additional year; travel costs of \$20,000 for an additional year; and \$12,000 for supplies. The total estimated cost for one year is \$3,283,806.

8. Describe the method used to estimate the total project cost.

The personal services costs were obtained in house based on positions. The contractual costs are based on actual invoices and using those costs to project the amount needed to complete project through implementation.

9. Describe other alternatives considered to solve the problem and why the project requested is appropriate as opposed to the alternatives. Include how each alternative was evaluated.

Other alternatives were not considered since this is completion of an existing project.

10. Describe how the operating cost estimates were determined. Describe any relationship the project has to the proposed operating budget year. Include a discussion of operating expenses and positions associated with the proposed project.

N/A

11. Describe whether the request represents the first, second or third phase of a project.

N/A

12. Describe why the project is needed now and why the project can't wait until next year.

This is a continuation to allow completion of an existing project. If this request is not funded, the new system will not be implemented. This will result in the state not being reimbursed by CMS at the 90% level, and a new system not coming on line.

Mission:

To promote and protect the health and well being of Alaskans.

End Result:

The physical health of Alaskans is optimized. The mental health of Alaskans is optimized. Alaskans have access to health care. Alaskans receive the long-term care they need.