



# MEDICAID MANAGEMENT INFORMATION SYSTEM REPLACEMENT

SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE  
STAFF: RUSSELL FRANSDEN

BUDGET BRIEF

## SUMMARY

The Analyst's base budget recommendation is \$19,465,800 for Medicaid Management Information System Replacement in FY 2013. This recommendation is \$9,165,000 higher than the base budget. This funding level supports 10 FTE. This brief highlights some issues in Medicaid Management Information System Replacement as well as some uses of the funding provided. The Subcommittee annually reviews each base budget to propose any changes and to vote to approve it. The Analyst recommends that the Subcommittee approve the \$19,465,800 base budget and the two proposed intent language statements.

## Overview

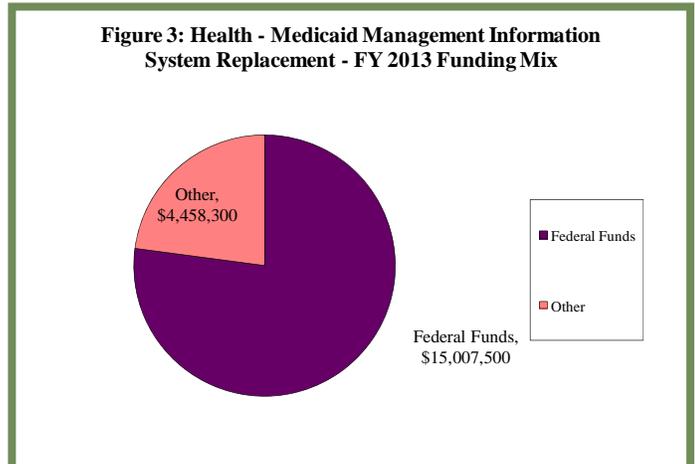
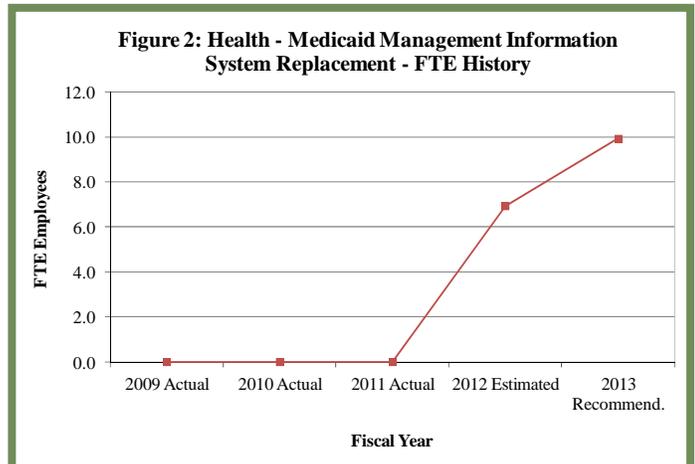
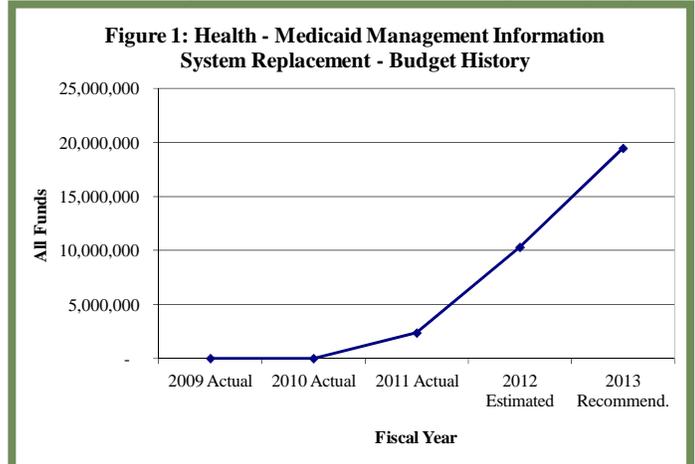
The current system used to process and pay medical claims, the Medicaid Management Information System, began in 1983 and is based upon a system that began operations in 1975 in Iowa. The system uses a programming language known as COBOL. New federal requirements beginning in 2012 and 2013 will add details to the information required for medical billing. As part of its FY 2010 Appropriations Request, the Department of Health estimated the total cost to replace the Medicaid Management Information System at \$91 million (\$11 million General Fund) over a three-year period. The Department has indicated that the system replacement could be done in pieces by function. The Department estimates another \$6 million General Fund would complete the system replacement. For more detailed information please visit the online Compendium of Budget Information for the 2012 General Session at [http://le.utah.gov/lfa/reports/cobi2012/LI\\_LKA.htm](http://le.utah.gov/lfa/reports/cobi2012/LI_LKA.htm).

## ISSUES AND RECOMMENDATIONS

The Analyst recommends a base budget for Medicaid Management Information System Replacement line item for FY 2013 in the amount of \$19,465,800. The funding level supports 10 FTE.

### Building Block Requests Included in the Governor's Budget

- **Medicaid MMIS Replacement Phase III** - \$3,000,000 one-time General Fund (\$30,000,000 Total Funds) for the third phase of replacing the



Medicaid Management Information System. *The Fiscal Analyst recommends that the subcommittee forward to the Executive Appropriations Committee for further consideration, an increase of \$1,500,000 one-time General Fund in FY 2013 for this purpose.*

- **CMS Mandated Compliance Projects** – \$679,000 one-time General Fund (\$3,767,200 Total Funds) and \$500,000 ongoing General Fund (\$2,778,600 Total Funds) for updating current components of the Medicaid Management Information System to comply with the ICD-10 required implementation date of October 2013. The agency originally requested \$679,000 General Fund in FY 2012 and ongoing \$1,001,200 which would have additionally funded 6 FTEs. *The Fiscal Analyst recommends that the subcommittee forward to the Executive Appropriations Committee for further consideration, an increase of \$500,000 one-time General Fund in FY 2012 for this purpose.*

### ***Intent Language – Similar to Last Year***

The Legislature approved similar intent statements for this line item during the 2011 General Session. The Analyst recommends they be included again:

*The Legislature intends that the Department of Health report quarterly to the Office of the Legislative Fiscal Analyst on the status of replacing the Medicaid Management Information System replacement beginning September 30, 2012. The reports should include, where applicable, the responses to any requests for proposals.*

*Under Section 63J-1-603 of the Utah Code the Legislature intends that appropriations provided for Medicaid Management Information System Replacement in Item 79 of Chapter 379 Laws of Utah 2011 not lapse at the close of Fiscal Year 2012. The use of any nonlapsing funds is limited to \$4,500,000 for the redesign and replacement of the Medicaid Management Information System.*

### **ACCOUNTABILITY DETAIL**

#### ***Use of Recent Appropriations***

The following paragraphs discuss the use of the \$3,000,000 one-time General Fund provided in both FY 2011 and FY 2012 and how it was used by the agency (total of \$6,000,000 provided):

1. **Core System Replacement** – assuming federal approval comes in a timely manner, the Department anticipates releasing a Request for Proposal for the core system replacement by February 2012.
2. **Fraud and Abuse Detection System** – Based on the experiences learned from a spring 2010 request for proposal for this system, the Department of Health provided a revised request for proposal for federal approval in November 2010. The Department of Health had planned to have the project started with a vendor in place by April 2011. Only one contractor responded to the RFP. Recently the federal government made a commitment to provide one fully-federally funded FTE and a fraud and abuse detection system for free for the next five years. The Department anticipates replacing its Fraud and Abuse Detection System as part of its MMIS replacement in phase three in FY 2015 at a cost of about \$1.4 million General Fund.
3. **Point of Sale and Drug Rebate System** – The Department of Health received federal approval in November 2010 for the request for proposal for the point of sale and drug rebate system. Goold Health Systems was selected to have a new system operational by February 2012. Through December 2011 the Department of Health has incurred costs of \$54,000 General Fund.
4. **Data Warehouse Upgrade** – Ingenix won the request for proposal process and completed the upgrade by July 2011. The Department paid \$421,500 General Fund for this component. The Department reports that the upgrade has helped data processing speeds and improved data query capabilities.

- 5. **Nonlapsing authority** – the Department of Health requests nonlapsing authority up to \$4.5 million to carry forward unspent General Fund into FY 2013.

***Follow up on Intent Language Passed During the Last General Session***

The following paragraphs list intent language statements passed for this line item in the 2011 General Session and discuss how the agency complied with that intent language:

- *The Legislature intends that the Department of Health report quarterly to the Office of the Legislative Fiscal Analyst on the status of replacing the Medicaid Management Information System replacement beginning September 30, 2011. The reports should include, where applicable, the responses to any requests for proposals.*
  - a. The Department through December 2011 provided its two quarterly reports on time.
  - b. The most recent quarterly report is available online at [http://health.utah.gov/medicaid/stplan/LegReports/HB2%20MMIS%20Quarterly%20Report\\_2012-01-01.pdf](http://health.utah.gov/medicaid/stplan/LegReports/HB2%20MMIS%20Quarterly%20Report_2012-01-01.pdf).

***Big Picture Replacement Plan***

Below is a quote from the summary of recommendations section of the Department’s Medicaid Management Information System replacement options report as well as a table showing four replacement options with costs in total funds:

<b>Option</b>	<b>Design, Development, and Implementation Cost</b>	<b>Estimated Total Costs Over 14 Years</b>
State Integrator	\$75 million	\$315 million
Contractor Integrator	\$91 million	\$331 million
Facility Management	\$85 million	\$414 million
Fiscal Agent	\$67 million	\$603 million

“FOX recommends that Utah proceed with Option B – Select a Contractor Integrator to transfer, modify, and enhance a state-of-the-art, certifiable MMIS under the management of a Project Management Office (PMO). Option B is recommended because it is the least costly option (\$331 million) associated with an acceptable level of risk the State is willing to assume. While Option A is less costly (\$314.8 million), it has a considerably higher risk factor. With Option A, work is paid for on an hourly basis without regard to tasks accomplished, whereas with Option B payment is based on specific deliverables providing more control for Utah. Furthermore, Option B is identified as the most feasible Option based on Table 17 in Section 5.10 Feasibility Analysis, which takes into consideration schedule, resources, culture, and value.”

**BUDGET DETAIL**

The budget listed in the table below details the budget allocations in the base budget bill.

# MEDICAID MANAGEMENT INFORMATION SYSTEM REPLACEMENT

## Health - Medicaid Management Information System Replacement

	FY 2011	FY 2012	FY 2012	FY 2012	FY 2013*	
<b>Sources of Finance</b>	<b>Actual</b>	<b>Appropriated</b>	<b>Changes</b>	<b>Revised</b>	<b>Changes</b>	<b>Recommended</b>
General Fund, One-time	3,000,000	3,000,000	0	3,000,000	(3,000,000)	0
Federal Funds	1,857,700	27,693,600	(18,422,900)	9,270,700	5,736,800	15,007,500
Beginning Nonlapsing	0	0	2,488,400	2,488,400	1,969,900	4,458,300
Closing Nonlapsing	(2,488,400)	0	(4,458,300)	(4,458,300)	4,458,300	0
<b>Total</b>	<b>\$2,369,300</b>	<b>\$30,693,600</b>	<b>(\$20,392,800)</b>	<b>\$10,300,800</b>	<b>\$9,165,000</b>	<b>\$19,465,800</b>
<b>Programs</b>						
Medicaid Management Information Sy	2,369,300	30,693,600	(20,392,800)	10,300,800	9,165,000	19,465,800
<b>Total</b>	<b>\$2,369,300</b>	<b>\$30,693,600</b>	<b>(\$20,392,800)</b>	<b>\$10,300,800</b>	<b>\$9,165,000</b>	<b>\$19,465,800</b>
<b>Categories of Expenditure</b>						
Personnel Services	466,600	401,500	344,200	745,700	254,000	999,700
In-state Travel	600	0	5,000	5,000	0	5,000
Out-of-state Travel	2,900	0	15,000	15,000	0	15,000
Current Expense	42,900	1,645,800	7,234,000	8,879,800	8,911,000	17,790,800
DP Current Expense	170,300	0	655,300	655,300	0	655,300
DP Capital Outlay	1,686,000	0	0	0	0	0
Other Charges/Pass Thru	0	28,646,300	(28,646,300)	0	0	0
<b>Total</b>	<b>\$2,369,300</b>	<b>\$30,693,600</b>	<b>(\$20,392,800)</b>	<b>\$10,300,800</b>	<b>\$9,165,000</b>	<b>\$19,465,800</b>
<b>Other Data</b>						
Budgeted FTE	0.0	2.9	4.0	6.9	3.0	9.9
Actual FTE	2.7	0.0	0.0	0.0	0.0	0.0

\*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.

### **LEGISLATIVE ACTION**

The Analyst recommends that the Social Services Appropriations Subcommittee take the following action:

1. Approve a base budget for FY 2013 for the Medicaid Management Information System Replacement line item in the amount of \$19,465,800 with funding as listed in the Budget Detail Table.
2. Adopt the intent language statements discussed in the brief.
3. Forward to the Executive Appropriations Committee the Analyst-recommended items for further consideration as discussed in this brief.