

# **MMIS Program Update**

Presented on March 6, 2012

## **Joint Legislative Commission on Governmental Operations**

Presented by: Al Delia  
Acting Secretary



# Contract Award History

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- Statement of Objective based RFP Published in July 2007
- Eleven vendors requested the Procurement Library
- Proposal Evaluation lasted 11 months with only 2 bidders submitting proposals
- In excess of 15,000 pages of technical and cost proposals were reviewed.
- Contract was awarded to CSC on December 22, 2008
  - \$287 M, which included \$22 M for future changes
  - Original Contract Term – 4 years of operations plus 1 additional option year.
- 994 Change Orders since contract award
- Contract amended in July 2011 – (Four years after RFP issued)

# MMIS Replacement Project and Operations

IT System Development Phase:		Initial Contract	Changes	Revised Contract
Original Development Scope		90.8	0.0	90.8
Development Scope Changes:				
	ICD-10, 5010, Final Integration Testing, Provider Operational Preparedness, HIT, Supplemental Drug Rebate, 741 legacy Change Orders, 205,000 pool manhours, infrastructure costs, National Coding Initiative, NCFast integration, Fraud and Abuse Integration, State Employee Health Plan Integration, MITA enhancements, Provider Preparedness		105.8	105.8
Total Development Cost		90.8	105.8	196.6

Note: All numbers in millions

# MMIS Replacement Project and Operations

Operations Phase:				
		Initial Contract	Changes	Revised Contract
<b>Original Scope - Five Years Operations</b>		196.4		196.4
<b>Operations Scope Changes:</b>				
	Two Option Years - Years 6 and 7		76.1	76.1
	Extended Enrollment, Verification and Credentialing and Retro-Dur (\$60.4 M in supplemental drug rebates received to-date)		10.5	10.5
	HIT/MIPS Incentive Payments		15.2	15.2
	Less \$10 M damages		(10.0)	(10.0)
	<b>Total Operations Cost</b>	<b>196.4</b>	<b>91.8</b>	<b>288.2</b>

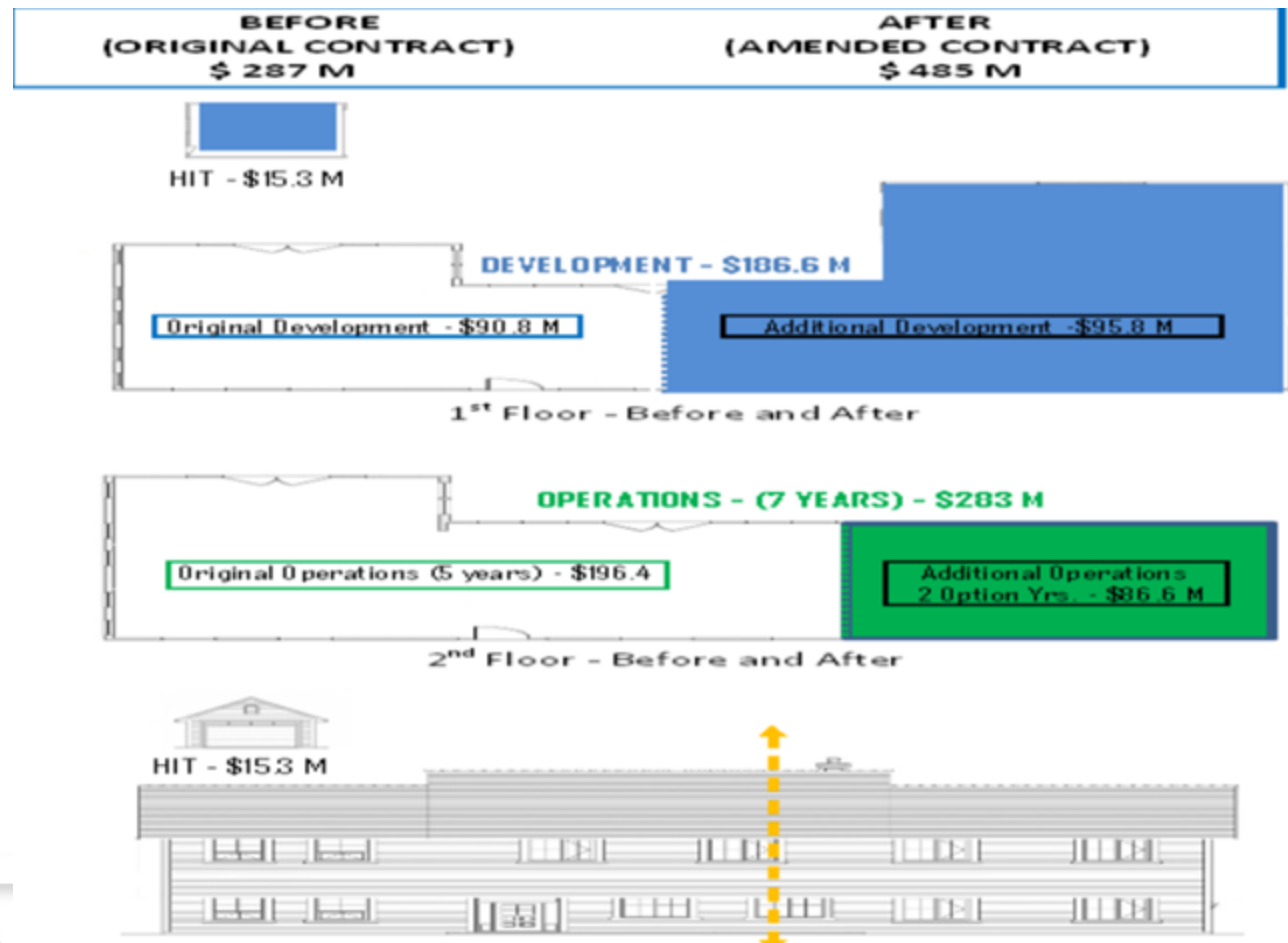
Note: All numbers in millions

# MMIS Replacement Project and Operations - Totals

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	Original Contract	Changes	Revised Contract
Total Development Cost	90.8 M	105.8 M	196.6 M
Total Operations Cost (5 & 7 Years)	196.4 M	91.8 M	288.2 M
<b>Total Development &amp; Operations</b>	<b>287.2M</b>	<b>197.6 M</b>	<b>484.8 M</b>

# Home Construction Analogy



# Major Development Changes/Additions

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- A 2,400 sq. ft. house has now become a 4,000 sq. ft. house.
- Major modifications include adding, moving, modifying and replacing a significant portion of the home (MMIS).
- The following slide depicts modifications that significantly change the “footprint of the house” (MMIS).

# Major Development Changes/Additions

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- Add HIPAA 5010 code set processing to the existing 4010 code set processing. \$21,200,000
- Add ICD-10 procedure code processing to the existing ICD-9 processing. \$9,014,000
- Due to 5010 changes, add a 2-month final integration test (FIT). \$3,000,000
- Add to the modification pool. \$4,820,749
- Add a 4-month provider operations preparedness phase. \$6,400,000.
- Add overhead and infrastructure cost to construct the above modifications. \$31,000,000.
- Cost of other changes made to “spec” prior to these modifications. \$20,350,000.



# Delay Impacts

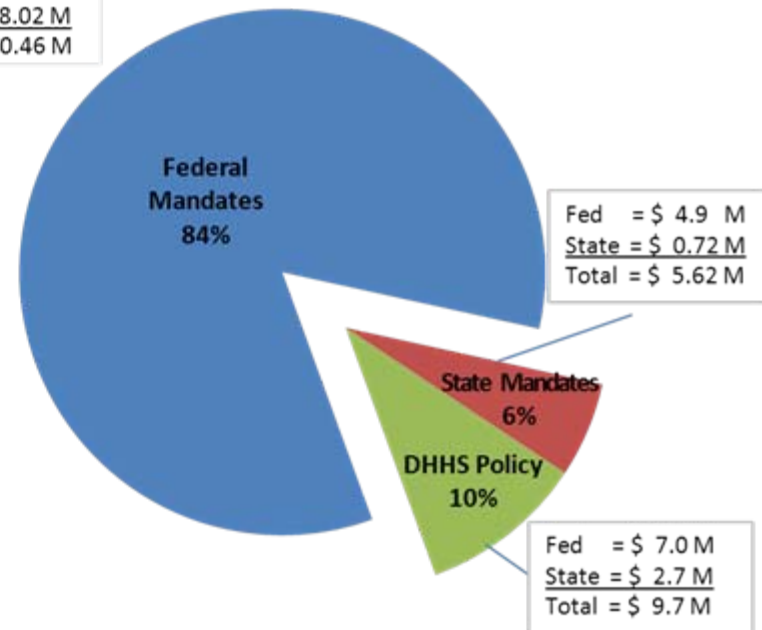
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- System projected to Go-Live between March 1, 2013 and July 1, 2013
  - Date change is related **primarily to scope expansion of 12 months** for Federal, State, and divisional policy changes and mandates since RFP release; and,
  - **Secondarily, schedule slippage of 6 months**
- Major Federal Regulations - HIPAA 5010, ICD-10, National Correct Coding Initiative (NCCI), Healthcare Reform are now Federal mandates
- State Session Law Changes

# Delay Impact - Development Cost

Fed = \$ 72.44 M  
State = \$ 8.02 M  
Total = \$ 80.46 M

	Federal Mandates	Federal Share	State Share
HIPAA 5010	21,200,000	19,080,000	2,120,000
International Classification of Diseases (ICD-10)	9,014,000	8,112,600	901,400
Final Integration Testing (FIT)	3,000,000	2,730,000	270,000
Change Orders (CSRs)	1,024,409	921,968	102,441
Development Extension	18,318,818	16,486,936	1,831,882
Infrastructure	27,905,815	25,115,234	2,790,582
<b>Total</b>	<b>80,463,042</b>	<b>72,446,738</b>	<b>8,016,304</b>
Percentage of Contract	80.46	72.44	8.02



Contracted Project Development Total: \$ 95.78 M

# Schedule Slippage

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- Root Cause is attributed to CSC's overestimation of the degree of fit with the NY Baseline solution (Estimated 73% code reuse – Realized 32%) – four months
- Degree of fit also impacted by the inclusion of 221 legacy Changes Orders in the Technical Design - two months
- Punitive Impact to Vendor
  - CSC will pay \$10 Million for four-month schedule slippage
  - CSC will contribute \$ 37.5 Million in additional system functionality

## **Schedule – Important Upcoming Dates**

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- Final Integration Testing (FIT) - Begins May 29, 2012
- Final System Integration Testing (SIT) - Begins July 27, 2012
- User Acceptance Testing - Begins August 29, 2012
- System Operationally Ready – February 28, 2013
- Provider Operational Preparedness (POP) – March 1 – June 30, 2012
- Go-Live Date – July 1, 2013

# Capacity for Continued Changes

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- Capacity Built into Schedule to Accommodate 204,915 hours (\$20,100,000) of Change Orders during system development
- Changes beyond vendor Capacity will Negatively Impact the Operational Start Date

# Capacity for Continued Changes

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- Soft System Development Freeze - starts March 2, 2012 (180 Days Prior to User Acceptance Testing)
  - Small Changes Progress Normally Through the Review Process
  - Less Than 40 Hours of Work to Design, Implement, and Test
- Hard System Development Freeze starts May 31, 2012 (90 Days Prior to User Acceptance Testing)
- Changes Made Only Through an Exception Process Involving DHHS and CSC Executive Management
- Critical to Achieving the Schedule

**Changes Made Outside of the Freeze Strategy Will Delay System Implementation**

# Critical Success Factors

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- Manage Change
  - System Development is Nearing Completion
  - Changes Introduced Going Forward - Present Risks to the Quality of the System and Go-Live Date
  - Systems Freeze (Legacy and Replacement)
- Thorough Testing of a Completed System
  - CSC and State Testing Subsystems Now
  - Extensive Full-System Testing Begins May 2012
  - User Acceptance Testing Begins August 2012

# Return on Investment

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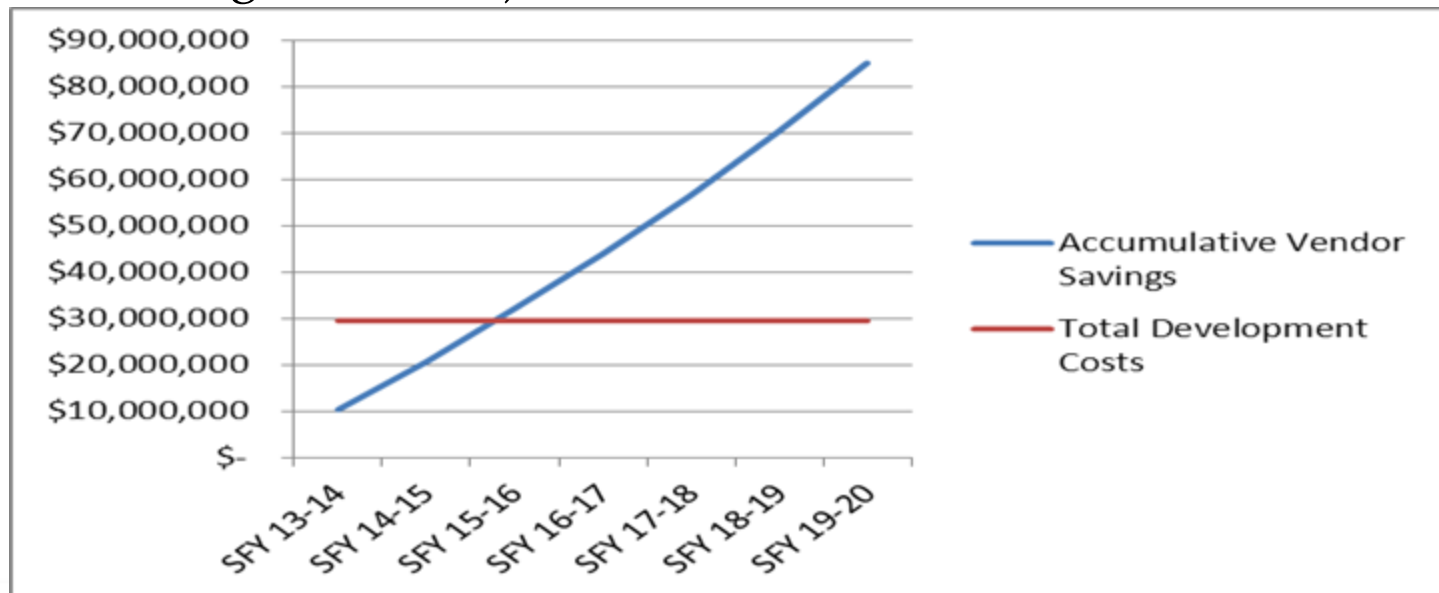
- Supplemental Drug Rebate/Preferred Drug List  
- Implemented May 2010
  - \$65.9M Collected through January 2012
  - Development Cost - \$164, 000 and Operations Cost - \$50,000/month
  - Total Investment through November 2011 - \$1,088,000
- Monthly Operations Cost Will Be Reduced

Legacy Monthly As Is Operations Cost	\$6,481,443
New System Monthly Operations Cost	<u>\$3,003,385</u>
Monthly Operations Savings	\$3,478,058



# Return on Investment - Breakeven Point

- Cost of MMIS Implementation - State investment recovered in 33 months (\$57,938,179 M – Savings in Excess of State Investment over Contract Life, 22-month recovery if Health Choice savings included)



# Cost Comparison: HP & Other Legacy Contracts and CSC

DMA - Legacy MMIS	\$ 478,857,405
DMH - Legacy IPRS	\$ 46,888,382
DPH - POMCS	\$ 4,785,564
Controller's Office - POMCS	\$ 4,648,837
Health Choice Processing	\$ 5,261,026
Legacy Total	\$ 540,441,214
CSC Multi-payer System Operations	\$ 252,284,334
Operations Savings with New System	\$ 288,156,880
Less Development Contract Cost	\$ (186,604,862)
Plus Estimated Health Choice Start-Up	\$ 4,000,000
Net Contract Savings over 7 years	\$ 105,552,018

# Example of Potential Future Savings

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- If the new system were to remain in place for 30 years as the legacy has.....

- Monthly savings - \$3.0M

$$\begin{array}{rcl} \text{Contract Life} & \times & \underline{360 \text{ months (30 years)}} \\ & = & \$1.1\text{B} \end{array}$$

# Questions

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