MMIS Program Update
Joint Legislative Oversight Committee on HHS
September 20, 2011

"The [CMS] Regional Office believes there is a strong State and vendor management team in place who are working in concert to fulfill the project's mission and goals."

Jackie Glaze, CMS Associate Regional Administrator
July 5, 2011 - IADPU Approval Letter

Presented by: Angeline Sligh
Director, Office of MMIS Services

Replacement MMIS Project

- Program Overview
- Schedule Update
- Implementation Update
- Financial Update
- MMIS Program Risks
- Questions

Program Overview

"This is in response to your letter dated November 20, 2008…I am pleased to inform you that CMS approves the Department's IAPD. This approval supersedes and consolidates all previously approved FFP funding amounts for this project. I would like to thank you and your staff for your efforts to work with the Regional Office to develop strategies for this project."

Mary Kaye Justis, RN, MBA, Acting, CMS Associate Regional Administrator
December 22, 2008 - IADPU Approval Letter

Overview – What the Program includes...

- Six Business Initiatives
- Five Procurements
- Three Additional Projects

Most MMIS Development is funded at 90% Federal Match

Overview

What the Program includes... Six Business Initiatives

- MMIS Business Rules
  - Claims payment rules, edits, and audits
  - Status: Completed (Maintenance ongoing)
- Provider Type/Provider Specialty
  - Developed replacement strategy for PT/PS
  - Status: Completed
- Health Choice Business Rules
  - SCHIP Claims payment rules, edits, and audits
  - Status : Completed (Maintenance ongoing)

Overview

What the Program includes... Six Business Initiatives

- Medicaid Accounting System (MAS)
  - Accounts Receivable/Payable business rules
  - Status: Completed
- DHSR Business Process Modeling
  - Documented HSR business processes
  - Status: Completed
- Artifact Review and Update
  - Established procurement library artifacts
  - Status : Completed

Overview

What the Program includes…Five Competitive Procurements

- ## Replacement MMIS
  - ◦ $287M Contract awarded to Computer Sciences Corporation in December 2008
  - ◦ Amended in July 2011

- ## Testing Contract
  - ◦ Staff Augmentation
  - ◦ $5.6M 5-year Contract awarded to SysTest Labs

- ## Independent Verification and Validation
  - ◦ Independent project oversight and QA
  - ◦ $2.9M 3-year Contract awarded to Maximus

Overview

What the Program includes…Five Competitive Procurements

- Reporting and Analytics
  - Replaces Decision Support and Fraud and Abuse solutions
  - $50.3M 4-year Contract (plus one option year) awarded to Thomson Reuters

- DHSR Business Process Automation
  - Automates Major Components of Health Services Regulation
  - $9.1M 26-month Development Contract awarded to GL Solutions
  - ITS Hosted (optional vendor maintenance)

Overview

What the Program includes…Three Additional Projects

- Budget and Forecasting Implementation
  - $1M Contract Awarded to SAS
  - Two-Phase Project (jointly managed by DMA as a MMIS Program subsidiary project)
  - Status: Completed and in Production

- Medicaid Information Technology Architecture (MITA) Self-Assessments
  - Medicaid Program (Required by CMS for future funding)
  - Behavioral Health Self-Assessment
  - Status: Completed

Overview

What the Program includes…Three Additional Projects

- Medicaid Health Information Technology (HIT)
  - ◦ ARRA HIT Incentive Program
    - • Planning Advance Planning Document
    - • State Medicaid HIT Plan and Roadmap
    - • Status: Completed – Transferred to DMA
  - ◦ Medicaid Incentive Payment Solution (MIPS)
    - • Status: Year 1: Payments – In Production
      Year 2: Attestation – Under Development

MMIS Schedule Update

"CMS recognizes that MMIS systems are complicated long-term IT projects involving meeting target dates that are negatively impacted by Federal and State legislative changes and Federal and State policy changes. "

Jackie Glaze, CMS Associate Regional Administrator
July 5, 2011 - IADPU Approval Letter

New Timeline

- 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**

Delay Impacts

- Federal and State Legislative changes, as well as legacy system changes have increased contract scope – accounts for 12 months of the delay
  - Changes to Legacy MMIS (741 Customer Service Requests (CSRs) since publication of the RFP in July 2007 (525 - Medicaid and 216 - DMH/DD/SAS)
  - Major Federal Regulations - HIPAA 5010, ICD-10, National Correct Coding Initiative (NCCI), Healthcare Reform are now Federal mandates
  - State Legislation - Session Law 2010 (34 impacting changes) and SL 2011 (under review)

Schedule Slippage

- **Schedule Slippage accounts for 6 months of the delay**
  - ◦ 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 CSRs in the Technical Design

Schedule: Punitive Impact to Vendor

- CSC will pay $10 Million for schedule slippage
- CSC will contribute $ 37.5 Million in additional system functionality
- Contractual Changes
  - Damages cap increased from $60M to $90M
  - Performance Bond increased from $13M to $25M
  - Inclusion of other associated legacy cost in damages clause (S-CHIP, POMCS, etc.).

MMIS Implementation Update

"Approval of this IAPD indicates CMS' continued support of the project, its confidence in its return on investment over the life of the contract and the overall impact that the success of this multi-payer solution will have within the State and the region as the overall goals of MITA are achieved."

Jackie Glaze, CMS Associate Regional Administrator
July 5, 2011 - IADPU Approval Letter

Replacement MMIS Project

- Development Uses Iterative Build Approach
- Major Components/Subsystems are Built*

Build	Description
5	Provider*
6	Recipient*
7	Eligibility Verification
8	Non-Electronic Submissions
9	Claims / Pharmacy*
10	Claims / Medical
11/15.1	Financial
12	Prior Authorization*
13.1	Managed Care
13.2	TPL

Build	Description
14.1	Reference*
14.2	Pending Resolution
15.2	MAR
16.1	Health Check
16.2	Drug Rebate*
17	Call Center*
18	AVRS
19	HIPAA 5010
20	SAS Reports

Replacement MMIS Project

- Development Being Completed on Critical Portions of the System
  - Medical Claims
    - Begins System Integration Testing October 10, 2011
  - Financial
    - Begins System Integration Testing November 4, 2011
- Provider Engagement (70,000 providers)
  - Provider Readiness Surveys
  - Design of Training Underway
  - Provider Operational Preparedness Planning

New CSR Capacity

- Change Continues – Customer Service Requests
- Capacity Built into Schedule to Accommodate 204,915 hours ($20,100,000) of CSR work during DDI
- Change in Excess of the CSR Capacity will Negatively Impact the Operational Start Date

Replacement MMIS – Important Dates

- Final Integration Testing (FIT)
  - Begins May 29, 2012
- Final System Integration Testing (SIT)
  - Begins July 27, 2012
- User Acceptance Testing
  - Begins August 29, 2012

Replacement MMIS

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

Replacement MMIS – Freeze Strategy

- Critical to Control Changes to the System as the Project Moves into Full System Testing
- Soft System Development Freeze
  - Small Changes Progress Normally Through the Review Process
  - Less Than 40 Hours of Work to Design, Implement, and Test
  - 180 Days Prior to User Acceptance Testing
  - March 2, 2012

Replacement MMIS – Freeze Strategy

- Hard System Development Freeze
  - Changes Made Only Through an Exception Process Involving DHHS and CSC Executive Management
  - 90 Days Prior to User Acceptance Testing
  - May 31, 2012
- Critical to Achieving the Schedule
  - Changes Made Outside of the Freeze Strategy Will Delay System Implementation

Replacement MMIS – CSC Partnership

- Collaborative Working Relationship
- CSC Management Team
  - Results-Oriented and Schedule-Driven
    - Project Details are Closely Managed
    - Renewed focus on Employee retention
  - Anticipatory
    - Quickly Recognize Risks to the Schedule
    - Working Effectively with the OMMISS Management Team to Solve Issues

Reporting & Analytics – Thomson Reuters

- Required for Federal Certification of MMIS
- Currently Constructing the Data Warehouse
- Replanning Schedule to Integrate with Revised MMIS Schedule
- State Health Plan
  - Work underway to Design and Develop the Required Data Warehouse and Reporting Solution

Business Process Automation System – GL Solutions

- Division of Health Service Regulation (DHSR)
- Stage 1 Production – September 8, 2011
  - Universal Data Source
  - Consolidated Legacy Data Repositories
- Eight Stages
  - Completion Scheduled in 2013

MMIS Program Financial Update

"I am pleased to inform you that CMS approves the Department's IAPDU…. This approval is effective May 23, 2011 and ends June 30, 2018. Approval of Operations Phase costs (i.e. 75 or 50 percent FFP) for the MMIS Replacement Project will be determined following full operations of the replacement system and subsequent MMIS Certification by CMS."

Jackie Glaze, CMS Associate Regional Administrator
July 5, 2011 - IADPU Approval Letter

Amended Contract Comparison

Original Contract – Development & Operations				Amended Contract- Development & Operations		
Phase	Duration	Cost		**Phase**	Duration	Cost
Replacement Phase (including Modifications)	32 months	$91M		**Replacement Phase (including Modifications)**	50 months	$157M
Operations Phase	4 years	$159M		**Operations Phase**	4 years	$169.2M
Option Years	1	$ 37M		**Option Years**	1	$38M
Total	92 months	$287M		**Sub Total**	110 months	$364.2M
Contract Additions				**Contract Additions**		
				Additional Base Year	1	$37.7M
				Additional Option Year	1	$38M
				POP Phase	4 months	$6.4M
				5010/ICD10	n/a	$33.3M
MMIS Total	92 months	$287M		**MMIS Total**	122 months	$479.6M
				HIT/MIPS	3 years	$15.2M
				Slippage Credit		($ 10M)
Contract Total	92 months	$287M		**Contract Total**	138 months	$494.8M

Financial Impact of Amendment 2
(in millions)

	Original Base Contract	Amended Base Contract	Difference
Amended Contract	$287	$354	$67
Changes/CSRs	$22	$27	$5
Legacy CSRs Included in the Design		$4	$4
Enhancement beyond the Contract		$11	$11
Schedule and Scope Impact (6 months)		$15	$15
Infrastructure to Extend the Schedule		$31	$31
FIT		$3	$3
22 additional months of EVC and Retro DUR		$8	$8
Operational Credit (Damages)		-$10	-$10
Total			$67

Contract Amendment 2 - Scope Changes

- Federally Mandated Scope Expansion
  - HIPAA 5010
  - ICD-10
  - National Correct Coding Initiative (NCCI)
  - Healthcare Reform
  - Other
- State Legislation
  - SL 2010 (34 changes) and SL 2011 (analysis underway)

Funds Required for SFY 2011-2012

Project	Estimated Total Expenditures	Estimated State Funds
MMIS DDI	$81,299,474	$9,994,854
[1]MMIS DDI Changes	10,000,000	1,217,581
MMIS Early Operations	5,141,615	2,056,646
R&A	$4,272,487	533,755
DHSR	5,122,743	3,211,970
Program-Level	2,818,959	352,370
MMIS Total	**$108,655,278**	**$17,367,176**
State Appropriation Balance 7/1/11		$15,213,188
Appropriations SFY 11-12		**$3,232,304**
Estimated Carry Forward Appropriations 6/30/12		$1,078,316

Funds Required for SFY 2012-2013

Project	Estimated Total Expenditures	Estimated State Funds
MMIS DDI	$68,779,509	$8,429,858
[1]MMIS DDI Changes	10,000,000	1,217,581
MMIS Early Operations	5,425,411	2,170,164
R&A	7,400,167	825,021
DHSR	1,099,667	1,099,667
Program-Level	2,841,269	355,159
MMIS Total	**$95,546,023**	**$14,097,450**
State Appropriation Balance 7/1/12		$1,078,316
Appropriations SFY 11-12		**$12,000,000**
[2]Estimated Cash Balance on 6/30/13		-$1,019,134

Return on Investment

- Supplemental Drug Rebate/Preferred Drug List
  - $40M Collected through July 2011
  - Implemented May 2010
    - Development Cost - $164, 000 and Operations Cost - $50,000/month
    - Total Investment through July 2011 - $914,000
- Cost of MMIS Implementation
  - State investment recovered in 22 months
  - $88.9M – Savings in Excess of State Investment over Contract Life

MMIS Program Risks

"… there is a limited capacity for change which should be managed judiciously to ensure the integrity of the new Operational Start Date. ..modifications to impacted legacy systems should be carefully reviewed and controlled by a single, joint change control process or governance board and strictly limited to that work which is essential to comply with State and Federal law. The … board should take steps to immediately review all pending work/change orders for the legacy systems and ensure that there is sufficient funding in the existing budget and adequate implementation time remains until the scheduled "freeze" date stipulated in the replacement MMIS Detailed Implementation Schedule."

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Program Risk:
Managing Change

Change capacity from March 1, 2011 until June 30, 2013: $20,100,000

- CSR Capacity Pool $ 20,100,000
- CSRs Approved through 08/31/2011 $ 2,916,348
- Balance Remaining until 06/30/2013 $ 17,183,652

Program Risk:
NC FAST Integration

- New federal regulations require removal of duplicative eligibility solutions
- This new requirement also represents a reciprocal risk for the NC FAST implementation.

Program Risk:
Cooperation from Legacy Partners

- Cooperation from incumbent legacy fiscal agent partners
- Vigilance is required of vendors to ensure the timely hand-off of all files, data, and information (such as knowledge transfer)

Questions?

"The governance board must prioritize the work/change orders to best meet program objectives with available funding, system resources, manpower and implementation schedule. "

Jackie Glaze, CMS Associate Regional Administrator
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