

Issue Brief – Medicaid Management Information System

DEPARTMENT OF HEALTH

DOH IB 08-20

SUMMARY

Two years ago, the Department of Health requested \$4 million to replace its antiquated Medicaid Management Information System (MMIS). These funds were to be matched with \$36 million of Federal Funds. No state funding was allocated at that time for this project.

OBJECTIVE

The objective is to replace the current Medicaid Management Information System with modern technology and developed for current processes. This should improve both the efficiency and effectiveness of the system.

DISCUSSION AND ANALYSIS

The legacy MMIS was designed to process paper based claims more than two decades ago. Health Insurance Portability and Accountability Act of 1996 (HIPAA) mandates for standardization of data and communications protocols cannot be supported with the current system. The Division of Health Care Financing (DHCF) has been unable to meet HIPAA timelines because of the complex programming to support HIPAA through the interrelated modules.

Over the years, more complex reimbursement methodologies in the health care industry require a system that is both more sophisticated and can be more easily adapted to change.

Potential problems

Failure to update the system to accommodate changing industry standards may eventually leave the Division unable to pay Medicaid claims. Though the circumstances of this eventuality are still a few years away, the installation of a system of this magnitude could take several years.

The FY 2008 Request

The current request is for \$1,000,000 to be appropriated from the Medicaid Restricted Account which would be matched with \$1,000,000 from Federal Funds. These funds are to be used to evaluate, investigate and plan the development and implementation of a new MMIS. Additional funding would be requested in the future based on the plan developed with these funds.

System Development

The Legislative Analyst recommendation two years ago was that the project be funded and implemented with an additional recommendation that the Departments of Health and Workforce Services investigate the potential of developing synergies between MMIS and eRep. No funding was allocated at that time and little has been done to establish a connection between the two systems.

Funding Costs

The cost of developing and implementing technology systems continues to escalate significantly. Two years ago, the system was estimated to cost a total of \$40 million. The current estimate is \$60 million. The state portion would be approximately \$6 million.

LEGISLATIVE ACTION

The Analyst recommends that the Department of Health be directed to use \$1,000,000 of current year General Fund nonlapsing balances to be matched with \$1,000,000 of Federal Funds to do a full system evaluation, development and implementation plan.

The funds recommended to be used are unused General Fund that was carried over into the current fiscal year that was originally appropriated for the implementation of the Medicare Part D program. The caseload growth has not materialized in that program and therefore the funds will not be needed. They are one-time funds.