



MEDICAID MANAGEMENT INFORMATION SYSTEM REPLACEMENT

SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE
STAFF: RUSSELL FRANSDEN

BUDGET BRIEF

SUMMARY

The Analyst’s base budget recommendation is \$0 for the Medicaid Management Information System Replacement in FY 2014 until the legislature approves nonlapsing authority for FY 2013. The FY 2013 funding level supports 16 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 two proposed intent language statements, which provides a base budget of \$34,454,500 for FY 2014.

LEGISLATIVE ACTION

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

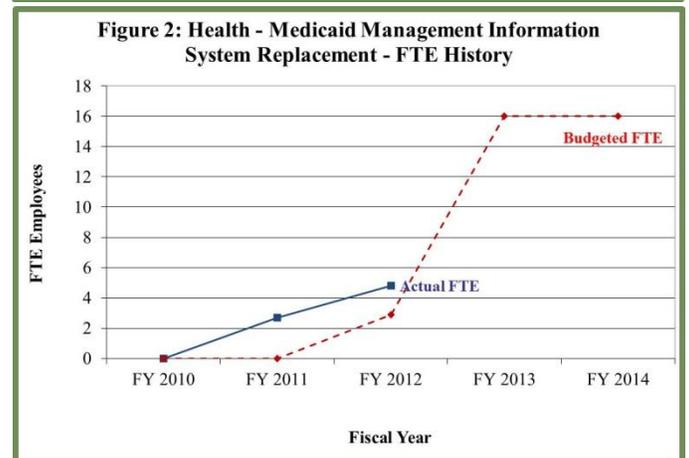
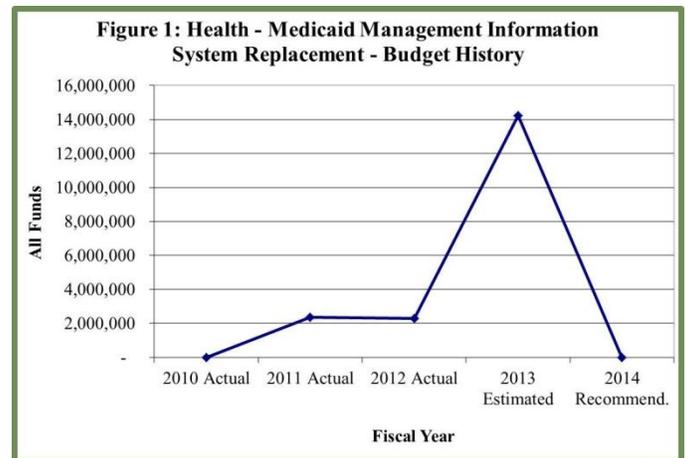
- Adopt the intent language statements discussed in the brief. Adoption of the intent language provides a base budget for FY 2014 of \$34,454,500 (\$29,454,500 federal funds) for the Medicaid Management Information System Replacement line item.

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 2013 General Session at http://le.utah.gov/lfa/reports/cobi2013/LI_LKA.htm.

ISSUES AND RECOMMENDATIONS

The Analyst’s base budget recommendation is \$0 for the Medicaid Management Information System Replacement in FY 2014 until the legislature approves nonlapsing authority for FY 2013. The FY 2013 funding level supports 16 FTE.



Building Block Requests Included in the Governor’s Budget

- **MMIS Replacement, Phase 3 of 4** - \$40,000,000 total funds (\$4,000,000 one-time General Fund) for phase 3 of 4 for the replacement of the Medicaid Management Information System. The Department estimates that another \$2,000,000 one-time General Fund would finish the replacement. *Should additional resources become available to the subcommittee, the fiscal analyst would recommend funding this item at \$6,000,000.*

Intent Language – Similar to Last Year

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, 2013. 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 7 of Chapter 14, Laws of Utah 2012 not lapse at the close of Fiscal Year 2013. The use of any nonlapsing funds is limited to \$5,200,000 for the redesign and replacement of the Medicaid Management Information System. (Approving this intent language also approves spending authority for matching federal funds of \$29,454,500 for FY 2014.)

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** – The Department chose CSNI in August 2012 to perform the core system replacement. Cognosante will serve as the independent verifier of progress on the project. Through December 2012 the Department of Health has incurred costs of \$822,100 General Fund for this new system.
2. **Fraud and Abuse Detection System** – 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. Until then, the Utah Office of Inspector General will continue its post-payment review of claims with a focus on fraud, waste and abuse.
3. **Point of Sale and Drug Rebate System** – Goold Health Systems provided a new system in October 2012. The new system provides the following functionalities: prior authorization system, improved accuracy of drug rebate management, enhanced patient care, provider portal capabilities, monitor Medicaid drug policies, and instant screening of recipient prescription history. Through December 2012 the Department of Health has incurred costs of \$181,800 General Fund for this new system.
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 \$5.2 million to carry forward unspent General Fund into FY 2014.

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 2012 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, 2012. The reports should include, where applicable, the responses to any requests for proposals.*
 - a. The Department through December 2012 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_2013-01-01.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:

Option	Design, Development, and Implementation Cost	Estimated Total Costs Over 14 Years
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 2012	FY 2013		FY 2013		FY 2014*
Sources of Finance	Actual	Appropriated	Changes	Revised	Changes	Recommended
General Fund, One-time	3,000,000	0	0	0	0	0
Federal Funds	2,046,200	15,014,800	(2,297,800)	12,717,000	(12,717,000)	0
Beginning Nonlapsing	2,488,400	4,459,000	802,000	5,261,000	(5,261,000)	0
Closing Nonlapsing	(5,261,000)	0	0	0	0	0
Lapsing Balance	0	0	(3,732,900)	(3,732,900)	3,732,900	0
Total	\$2,273,600	\$19,473,800	(\$5,228,700)	\$14,245,100	(\$14,245,100)	\$0
Programs						
Medicaid Management Information System	2,273,600	19,473,800	(5,228,700)	14,245,100	(14,245,100)	0
Total	\$2,273,600	\$19,473,800	(\$5,228,700)	\$14,245,100	(\$14,245,100)	\$0
Categories of Expenditure						
Personnel Services	518,200	1,007,700	646,200	1,653,900	(1,653,900)	0
In-state Travel	200	5,000	(5,000)	0	0	0
Out-of-state Travel	13,800	15,000	6,200	21,200	(21,200)	0
Current Expense	1,427,900	17,790,800	(15,403,700)	2,387,100	(2,387,100)	0
DP Current Expense	313,500	655,300	9,527,600	10,182,900	(10,182,900)	0
Total	\$2,273,600	\$19,473,800	(\$5,228,700)	\$14,245,100	(\$14,245,100)	\$0
Other Data						
Budgeted FTE	3	10	6	16	0	16
Actual FTE	5	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.