

Testimony
Department of Human Services
Budget Section
Senator Tony Grindberg, Chairman
March 13, 2012

Chairman Grindberg, members of the Budget Section, I am Jenny Witham, Director of the Information Technology Services Division for the Department of Human Services (DHS). I appear before you to provide a status of Medicaid claims processing and the Medicaid Systems Project.

The components of the Medicaid Systems Project include:

- The Medicaid Management Information System (MMIS):
 - Provider Management
 - Member Management
 - Claims Processing and Payment
 - Pharmacy Point of Sale
 - Prior Authorization
 - Utilization Review
 - Third Party Liability
 - Recoupment
 - Estate Recovery
 - Drug Rebate
 - Program Management
 - Benefit Administration / Care Management
 - Program Integrity
 - Financial and Program Analysis/Reporting
 - Cost to date: \$24,045,111 total fund, \$2,694,420 state fund

- The Data Warehouse System:
 - Longitudinal Financial Analysis Reporting
 - Clinical Outcome / Disease Management Analysis
 - Ad Hoc Reporting
 - Cost to date: \$2,725,000 total fund, \$312,848 state fund
- Independent Verification and Validation services:
 - Overall Quality Assurance Monitoring
 - System Requirements and Analysis
 - Code Development
 - Data Conversion
 - System Testing
 - Verification of appropriate development methodologies and processes
 - Validation of the completeness and accuracy in all project reporting and deliverables
 - Cost to date: \$4,839,126 total fund, \$561,130 state fund
- Information Technology Department services:
 - Project Management Services
 - Software Development
 - System Administration
 - Cost to date: \$9,465,088 total funds, \$1,285,293 state fund
- Other:
 - Subject Matter Experts
 - Facilities
 - Cost to date: \$1,561,514 total funds, \$240,660 state fund

The table on the next page summarizes the expenditures through January 2012.

Expenditures through January 2012

Description	Budget	Total Expended	Remaining
Total Medicaid System Project	\$62,529,371	42,635,839	\$19,893,532
General Fund	\$5,117,427	\$2,900,825	\$2,216,602
Federal Funds	\$55,218,418	\$37,541,488	\$17,676,930
Other Funds	\$2,193,526	\$2,193,526	\$0

In December 2011, Affiliated Computer Services (ACS) and DHS finalized negotiations for the past project delays through June 1, 2012, resulting in ACS agreeing to reduce its contract by \$3,500,000 of which \$404,250 is general fund to cover third party contract costs. The negotiations also addressed the inclusion of the HIPAA 5010 transaction standards into the new MMIS. The compliance date for this federal requirement was January 1, 2012. The cost for this new scope is \$6,606,822 of which \$763,088 is general fund. The Centers for Medicare and Medicaid Services (CMS) and the project's Executive Steering Committee, as required by Executive Order 2011-20, have approved the increase to the project scope and budget. The Department has sufficient funding within its current operating budget to cover this increase in scope. During the 2011 Legislative Session, the Department requested \$6.7 million to be used for post-production support and licensing services from ACS to cover the period from June 1, 2012 to June 30, 2013. With the extension of the go-live date beyond June 1, 2012, it is anticipated that these funds will not be necessary for the reason originally appropriated. Instead, the Department will move these funds from the operating line to the project budget to cover the new scope outlined above.

Also, during the 2011 Legislative Session, the Department requested authority in its operating budget for user acceptance testing of the new system to augment Department staff. The amount budgeted is \$1,885,744 million, of which \$217,803 is general fund. We believe this expenditure is more appropriately placed in the project budget, rather than the operating budget, and will move this funding to the project budget as well to better represent overall project costs.

Description	Budget	Budget Changes	Revised Budget
Total Medicaid System Project	\$62,529,371	8,492,566	\$71,021,937
General Fund	\$5,117,427	\$980,891	\$6,098,318
Federal Funds	\$55,218,418	\$7,511,675	\$62,730,093
Other Funds	\$2,193,526	\$0	\$2,193,526

With both of these budget changes we are reporting today, the Department's information technology budget remains unchanged overall.

The Department is still negotiating with ACS the impact of the implementation of the federal ICD-10 coding standard. Any further changes to the project scope or budget will be brought forward to the next Budget Section.

Medicaid Claims

As of March 6, 2012, there were 19,897 Medicaid claims in suspense. If you have any questions, I would be happy to address them at this time.