

| Project # | Agency                           | Project Title                                     |
|-----------|----------------------------------|---|
| 25-01     | Health and Human Services System | New Medicaid Management Information System (MMIS) |

**SUMMARY OF REQUEST** (Executive Summary from the Proposal)

[Full text of all proposals are posted here: <http://www.nitc.state.ne.us/nitc/documents/fy2007-09/index.html>]

In 1965, Title XIX of the Social Security Act initiated a jointly funded medical assistance program for certain individuals and families with low incomes and resources. The program, called Medicaid, is a cooperative venture between the Federal and State governments to assist States in providing medical care to eligible needy persons.

The Medicaid Management Information System (MMIS) is the claims processing system for Nebraska's Medicaid Program. In addition to processing claims, the MMIS also supports coordination of benefits, surveillance and utilization review, federal and management reporting, and case management.

Last fiscal year the Nebraska MMIS was used to process nearly 9.5 million Medicaid claims, and issued over \$1.3 billion in payments to providers. Over the past ten years, the number of Medicaid claims processed has nearly doubled, and the average monthly number of Medicaid eligibles has increased from 135,159 in fiscal year 1994 to 197,152 in 2004.

The Centers for Medicare and Medicaid Services (CMS) requires a certified and continuously operational MMIS to fully fund administrative functions. CMS funds the MMIS at 75% for operations and 90% for MMIS enhancement and replacement. The federal fiscal year 2005 budget proposal released on February 5, 2005, proposed to cut the federal matching rate for MMIS enhancements from 90% to 75%. Although this proposal was not adopted, the potential elimination of federal funding exists.

Three significant problem areas of the current system are:

- 1) **Outdated Technology:** Nebraska's MMIS was developed 27 years ago and has outlived most other states; Medicaid Management Information Systems. The current MMIS uses outdated technology and an older, inflexible technical design. Staff have worked hard to maintain the functionality of the MMIS, however, it is an extremely tenuous system often requiring "band aid" solutions. Several experts have concluded that the current MMIS is incapable of meeting expectations and future needs.
- 2) **Needs Outgrew System:** The Medicaid program has become increasingly complex, with service changes (e.g. hospice, behavioral health), eligibility changes, and new regulations (e.g. HIPAA). New program needs are difficult to address with the existing system. Labor-intensive "workarounds" are used to address these changes in the short-term, but do not represent a long-term solution.
- 3) **Costly to Maintain:** Because the MMIS is based on outdated technology and older, inflexible programming, it is costly to maintain, operate and enhance.

A Medicaid Management Information System (MMIS) procurement will replace the current MMIS with a state-of-the-art MMIS. It will provide the Department with enhanced claims processing functions to increase claims productivity and accuracy. It will also provide tools to manage and distribute work, track and report all customer contracts and provide a portal for providers and clients to obtain and share needed information within the Department as well as to external agencies.

The new MMIS will be more closely aligned to the Medicaid Information Technology Architecture (MITA), which was developed and supported by Centers for Medicare and Medicaid Services (CMS). CMS is

using MITA as a tool for communicating a common vision for the Medicaid program and for providing guidance on achieving that vision. CMS will use an updated advance planning document (APD) review process and criteria to ensure that state IT planning meets MITA goals and objectives.

Some of the key technical architecture features include:

- Service-oriented architecture (SOA)
- Common interoperability and access services
- Adaptability and extensibility
- Hub architecture
- Performance measurement

The State of Nebraska released a RFP for a MMIS on December 15, 2005. Four bids were received. The bids were opened and reviewed by State Purchasing on April 26, 2006. After evaluation, all four bids were rejected on June 20, 2006. The bids were rejected for price, failing to meet the requirement that the bidder transfer ownership of some key portions to the State, and qualifications of the bidder. It is the State's intent to continue with procurement of a new MMIS.

The Department is submitting an Advance Planning Document (APDP) to notify the Centers for Medicare and Medicaid Services (CMS) of plans to procure a new MMIS and to request Federal Financial Participation (FFP) for the activities required for planning, procurement, design, development, implementation and certification.

## FUNDING SUMMARY

The total cost for this project is estimated at \$50 million. Based on previously submitted RFP's the federal match for this project will average 87%. A break out of individual expenses is not available at this time but will be included in the RFP responses.

## PROJECT SCORE

| Section                                      | Reviewer 1 | Reviewer 2 | Reviewer 3   | Mean      | Maximum Possible |
|--|------------|------------|--------------|-----------|------------------|
| 3: Goals, Objectives, and Projected Outcomes | 12         | 13         | 12           | 12.3      | 15               |
| 4: Project Justification / Business Case     | 22         | 24         | 19           | 21.7      | 25               |
| 5: Technical Impact                          | 15         | 18         | 18           | 17.0      | 20               |
| 6: Preliminary Plan for Implementation       | 8          | 9          | 6            | 7.7       | 10               |
| 7: Risk Assessment                           | 8          | 9          | 7            | 8.0       | 10               |
| 8: Financial Analysis and Budget             | 13         | 15         | 13           | 13.7      | 20               |
|  |            |            | <b>TOTAL</b> | <b>80</b> | 100              |

## REVIEWER COMMENTS

| Section                                      | Strengths  | Weaknesses  |
|--|--|---|
| 3: Goals, Objectives, and Projected Outcomes | <ul style="list-style-type: none"> <li>- Goals and objectives are described adequately</li> <li>- Very strong goals/objectives/beneficiaries and outcomes description</li> <li>- Goals, objectives, benefits, and expected outcomes well thought out and presented. Using comprehensive project management process and procedure will benefit the implementation process.</li> </ul> | <ul style="list-style-type: none"> <li>- This project will be very similar in size and scope to the installation of a typical ERP system. It will also be a system that is probably quite similar to 50 other state systems doing the same thing. I would have liked to see some reference to that fact.</li> <li>- Could improve measures of success by relating them specifically to outcomes (i.e. one expected outcome is increased number of electronic claims, an appropriate measure of achievement would be change in e-claim numbers)</li> </ul> |

| Section   | Strengths  | Weaknesses   |
|---|--|--|
|   |  | <ul style="list-style-type: none"> <li>- Page 5, the first bullet item appears to be incomplete; not sure if everything is mentioned. There is no measurement criteria defined to determine the quality and effectiveness of the resultant software application.</li> </ul>  |
| <p>4: Project Justification / Business Case</p> | <ul style="list-style-type: none"> <li>- Appears to be well thought out</li> <li>- Explanation of other solutions evaluated is particularly strong</li> <li>- Good analysis of the four solutions presented pertaining to time frame and risk factors. State and federal mandates are clearly defined.</li> </ul>  | <ul style="list-style-type: none"> <li>- It seems to me that if 50 states are all doing similar types of activities in this area the option of MMIS replacement with /Fiscal agent should possibly be given more consideration, I would have liked to see more data on this approach as well as the MMIS procurement approach. What are the real differences?</li> <li>- Tangible benefits are not fully explained. There is no projected economic return on investment (ROI) for any of the four solutions identified.</li> </ul>   |
| <p>5: Technical Impact</p>                      | <ul style="list-style-type: none"> <li>- The SOA approach is a good one as it enables you to connect just about all of your computing assets into a cohesive whole, making it possible to get your systems speaking the same language together, regardless of their technology and what you may have been told in the past were 'incompatible' systems.</li> <li>- Technical elements are defined at the standards level, rather than software/hardware level, which is appropriate at this stage of project. Standards identified are appropriate for project.</li> <li>- Most of the technical issues are well developed and supported.</li> </ul> | <ul style="list-style-type: none"> <li>- A Service Oriented Architecture (SOA) is a very good approach to this proposal. SOA is supported by standards-based technologies like XML, web services, and SOAP, it is quickly moving from pilot projects to mainstream applications critical to business operations. One of the key standards accelerating the adoption of SOA is Business Process Execution Language for web services (BPEL). BPEL was created to address the requirements of composition of web services in a service-oriented environment. I would have liked to see a discussion on the use of BPEL as part of the architectural design that is associated with this project, since BPEL is a really good approach to model and map the business processes to the system design.</li> <li>- No clear discussion of reliability and security, beyond statement of adherence to common standards.</li> <li>- Security measures are not defined.</li> </ul> |
| <p>6: Preliminary Plan for Implementation</p>   | <ul style="list-style-type: none"> <li>- Good discussion from an IT perspective</li> <li>- Good breakdown on teams that will be involved. The support requirements are clear and well defined.</li> </ul>  | <ul style="list-style-type: none"> <li>- The business modeling process was really not discussed. If the agency does not look at this aspect then we are paving the cow paths. Implementing an SOA environment should include a review of all the business processes.</li> <li>- Stakeholder acceptance not addressed</li> <li>- I could not find where the Project sponsor(s) were identified. No information was given that indicated stakeholder acceptance was examined. Deliverables are loosely defined. Not clear which groups the "train the trainers" will train and which the contractor will train.</li> </ul>   |
| <p>7: Risk Assessment</p>                       | <ul style="list-style-type: none"> <li>- Agree that this will not be a simple project. Going in with eyes wide open is positive. Coordination with other states will be necessary.</li> <li>- A number of valid risks and mitigation plans are identified. I do believe this project carries significant risk simply as a result of its size and scope.</li> <li>- The IT risks are well defined.</li> </ul>   | <ul style="list-style-type: none"> <li>- Not much discussion regarding the risks associated with the business process design. This is going from the as-is to the to-be model. Will the architecture match the business process? What is that risk?</li> <li>- End-user computer proficiency could be a factor in the acceptance of new technology and the time needed to train the end-users.</li> </ul>  |
| <p>8: Financial Analysis and Budget</p>         |  | <ul style="list-style-type: none"> <li>- Not much information, however the project is in an initial planning stage.</li> <li>- Financial information is sparse due to initial planning stage. There was no response to item #16.</li> </ul>  |

**TECHNICAL PANEL COMMENTS**

| Technical Panel Checklist   |     |    |     | Technical Panel Comment |
|---|-----|----|-----|-------------------------|
|   | Yes | No | UNK |                         |
| 1. The project is technically feasible.   | ✓   |    |     |                         |
| 2. The proposed technology is appropriate for the project.                              |     |    | ✓   |                         |
| 3. The technical elements can be accomplished within the proposed timeframe and budget. |     |    | ✓   |                         |

- Unknown until the agency completes the RFP process.

**STATE GOVERNMENT COUNCIL COMMENTS**

- The State Government Council recommends this project be categorized as a “mandate”.

**NITC COMMENTS**

- Mandate (Required by law, regulation, or other authority.)
  - Regarding Project 25-01, New Medicaid Management Information System, Commissioner Peterson moved:
    - To leave Project 25-01 in the recommended “Mandate” list.
    - To note that the project was not submitted on time for an evaluation and Technical Panel review.
    - That the agency coordinate with the Technical Panel for review of the project as needed.
- Commissioner Aerni seconded. Motion passed.