

Schedule 13												
Change Request for FY 2009-10 Budget Request Cycle												
Decision Item FY 2009-10		Base Reduction Item FY 2009-10			Supplemental FY 2008-09			Budget Amendment FY 2009-10				
Request Title:		Enhance Medicaid Management Information System Effectiveness					Dept. Approval by:		John Bartholomew <i>JB</i>		Date: October 31, 2008	
Department:		Health Care Policy and Financing			OSPB Approval:			<i>Januz</i>		Date: 10-21-08		
Priority Number:		DI-12										
		1	2	3	4	5	6	7	8	9	10	
		Prior-Year		Supplemental	Total	Base	Decision/	November 1	Budget	Total	Change	
	Fund	Actual	Appropriation	Request	Revised	Request	Base	Request	Amendment	Revised	from Base	
		FY 2007-08	FY 2008-09	FY 2008-09	Request	FY 2008-09	Request	FY 2009-10	FY 2009-10	Request	(Column 5)	
		FY 2007-08	FY 2008-09	FY 2008-09	FY 2008-09	FY 2008-09	FY 2008-09	FY 2009-10	FY 2009-10	FY 2009-10	FY 2010-11	
Total of All Line Items	Total	21,362,578	45,179,116	0	45,179,116	45,337,324	395,029	45,732,353	0	45,732,353	395,085	
	FTE	243.8	272.7	0.0	272.7	276.0	0.9	276.9	0.0	276.9	1.0	
	GF	8,992,943	14,376,402	0	14,376,402	14,314,804	114,828	14,429,632	0	14,429,632	114,856	
	GFE	0	0	0	0	0	0	0	0	0	0	
	CF	0	2,636,711	0	2,636,711	2,639,634	0	2,639,634	0	2,639,634	0	
	CFE/RF	2,243,904	1,671,106	0	1,671,106	1,678,613	0	1,678,613	0	1,678,613	0	
	FF	10,125,731	26,494,897	0	26,494,897	26,704,273	280,201	26,984,474	0	26,984,474	280,229	
(1) Executive Director's Office; (A) General Administration, Personal Services	Total	20,382,113	19,251,491	0	19,251,491	19,989,456	58,101	20,047,557	0	20,047,557	63,385	
	FTE	243.8	272.7	0.0	272.7	276.0	0.9	276.9	0.0	276.9	1.0	
	GF	8,523,018	7,994,379	0	7,994,379	8,121,243	29,051	8,150,294	0	8,150,294	31,693	
	GFE	0	0	0	0	0	0	0	0	0	0	
	CF	0	731,501	0	731,501	786,800	0	786,800	0	786,800	0	
	CFE/RF	2,219,695	1,557,401	0	1,557,401	1,564,984	0	1,564,984	0	1,564,984	0	
	FF	9,639,400	8,968,210	0	8,968,210	9,516,429	29,050	9,545,479	0	9,545,479	31,692	
(1) Executive Director's Office; (A) General Administration, Operating Expenses	Total	980,465	1,833,478	0	1,833,478	1,681,669	6,178	1,687,847	0	1,687,847	950	
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
	GF	469,925	882,945	0	882,945	811,165	3,089	814,254	0	814,254	475	
	GFE	0	0	0	0	0	0	0	0	0	0	
	CF	0	23,307	0	23,307	19,221	0	19,221	0	19,221	0	
	CFE/RF	24,209	13,377	0	13,377	13,301	0	13,301	0	13,301	0	
	FF	486,331	913,849	0	913,849	837,982	3,089	841,071	0	841,071	475	

STATE OF COLORADO FY 2009-10 BUDGET REQUEST CYCLE: DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

Schedule 13												
Change Request for FY 2009-10 Budget Request Cycle												
Decision Item FY 2009-10 <input checked="" type="checkbox"/>		Base Reduction Item FY 2009-10 <input type="checkbox"/>			Supplemental FY 2008-09 <input type="checkbox"/>			Budget Amendment FY 2009-10 <input type="checkbox"/>				
Request Title:		Enhance Medicaid Management Information System Effectiveness										
Department:		Health Care Policy and Financing			Dept. Approval by:		John Bartholomew		Date:		October 31, 2008	
Priority Number:		DI-12			OSPB Approval:				Date:			
		1	2	3	4	5	6	7	8	9	10	
		Prior-Year		Supplemental	Total	Base	Decision/	November 1	Budget	Total	Change	
		Actual	Appropriation	Request	Revised	Request	Base	Request	Amendment	Revised	from Base	
	Fund	FY 2007-08	FY 2008-09	FY 2008-09	FY 2008-09	FY 2009-10	Reduction	FY 2009-10	FY 2009-10	FY 2009-10	(Column 5)	
(1) Executive Director's Office; (C) Information Technology Contracts and Projects, Information Technology Contracts*		Total	0	24,094,147	0	24,094,147	23,489,449	330,750	23,820,199	0	23,820,199	330,750
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	0	5,499,078	0	5,499,078	5,382,396	82,688	5,465,084	0	5,465,084	82,688	
	GFE	0	0	0	0	0	0	0	0	0	0	
	CF	0	1,881,903	0	1,881,903	1,833,613	0	1,833,613	0	1,833,613	0	
	CFE/RF	0	100,328	0	100,328	100,328	0	100,328	0	100,328	0	
	FF	0	16,612,838	0	16,612,838	16,173,112	248,062	16,421,174	0	16,421,174	248,062	
*Prior to the reorganization of the Department's budget in the FY 2008-09 Long Bill HB 08-1375, funding for the Medicaid Management Information System contract was appropriated in Long Bill Group (1) Executive Director's Office; Medicaid Management Information System Contract.												
Non-Line Item Request:		None										
Letternote Revised Text:		None										
Cash or Federal Fund Name and COFRS Fund Number:				FF: Title XIX								
Reappropriated Funds Source, by Department and Line Item Name:				N/A								
Approval by OIT?		Yes: <input type="checkbox"/>	No: <input checked="" type="checkbox"/>	N/A: <input type="checkbox"/>								
Schedule 13s from Affected Departments:			N/A									

CHANGE REQUEST for FY 2009-10 BUDGET REQUEST CYCLE

Department:	Health Care Policy and Financing
Priority Number:	DI-12
Change Request Title:	Enhance Medicaid Management Information System Effectiveness

SELECT ONE (click on box):

- Decision Item FY 2009-10
- Base Reduction Item FY 2009-10
- Supplemental Request FY 2008-09
- Budget Request Amendment FY 2009-10

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- Not a Supplemental or Budget Request Amendment
- An emergency
- A technical error which has a substantial effect on the operation of the program
- New data resulting in substantial changes in funding needs
- Unforeseen contingency such as a significant workload change

Short Summary of Request:

This request is for \$395,029 and \$395,085 in total funds for FY 2009-10 and FY 2010-11, respectively, to fund Medicaid Management Information System development costs and 1.0 FTE to reduce the backlog of customer service requests.

Background and Appropriation History:

Section 1903(r)(1) of the Social Security Act states that to receive federal funding for use of automated data systems in administration of the Medicaid program, the State must have a mechanized claims processing and information retrieval system. The Centers for Medicare and Medicaid Services' State Medicaid Manual states that for Medicaid purposes, the mechanized system is called the Medicaid Management Information System (MMIS). The MMIS is a system of software and hardware used to process Medicaid claims and manage information about Medicaid beneficiaries and services. The system may be operated by either a state agency or a fiscal agent, which is a private contractor hired by the State.

Section 1903(a) of the Social Security Act authorizes a 90% federal reimbursement rate for the design, development, or installation of an MMIS and a 75% reimbursement rate

for operation of an MMIS. The Centers for Medicare and Medicaid Services' State Medicaid Manual identifies the specific types of MMIS costs that are allowable for federal reimbursement. For such costs to be allowable at the enhanced rate of 75%, they must be related to the operations of the MMIS for ongoing automated processing of claims, payments, and reports.

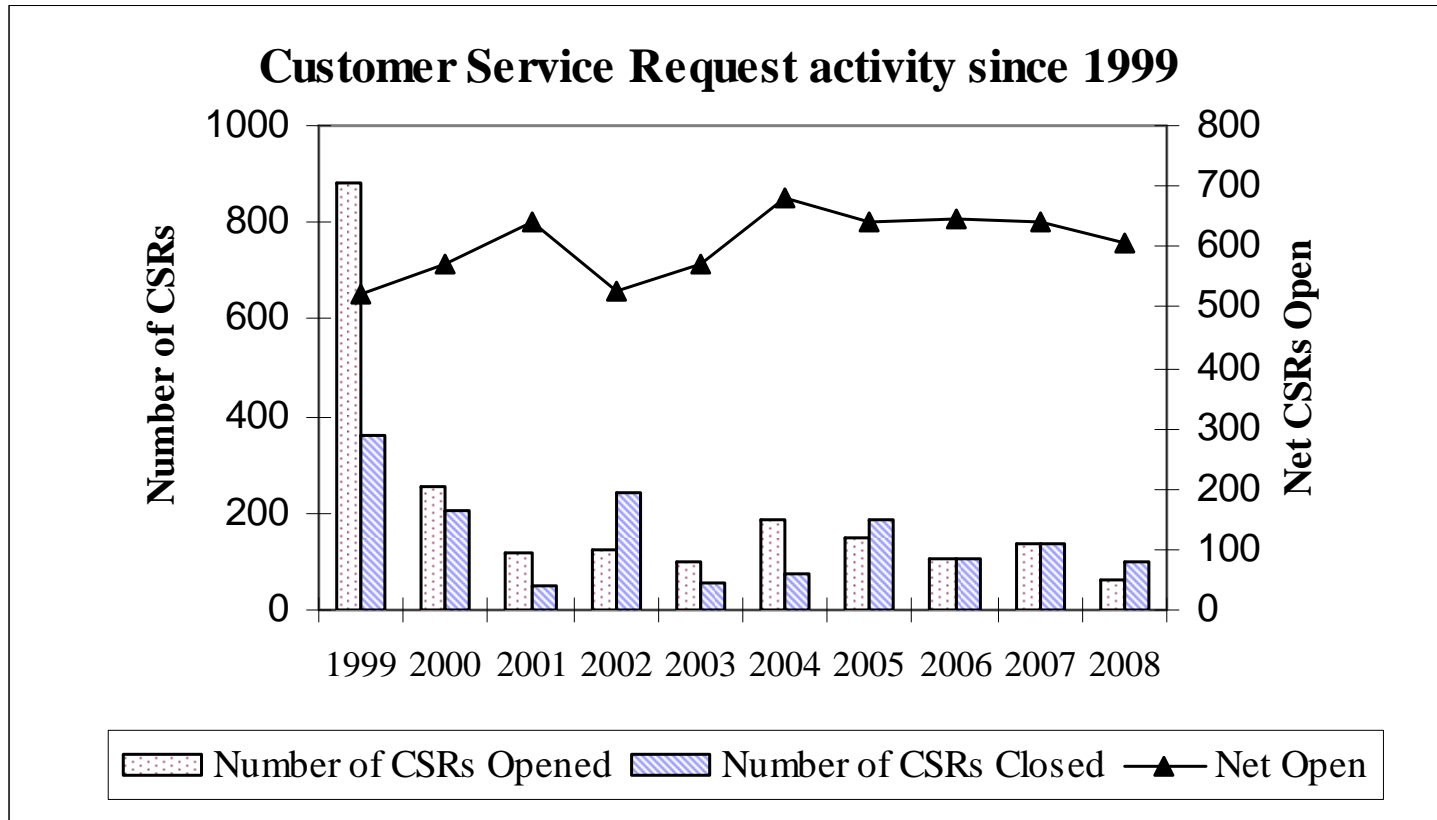
Prior to 1999, the Department contracted with Blue Cross Blue Shield for the operation and maintenance of the MMIS. However, in 1999, the Department issued a request for proposals for the procurement of the MMIS contract and selected from among the submitted proposals, Affiliated Computer Services (ACS) to operate and maintain the MMIS.

During the transition phase, the Department worked with both the old and new MMIS contractor to prioritize the responsibilities of each party. As part of this process, Blue Cross Blue Shield was instructed by the Department that its central responsibility is to maintain the base operations of the MMIS until ACS could demonstrate their knowledge of the application and certify that they are able to successfully assume operations and maintenance responsibilities. This certification process requires the execution of a testing regimen that compares the new environment to the existing environment. In order for these tests to be successfully completed, the application must be stable or unchanged; hence no development activity can occur during the transition phase.

The 1999 MMIS migration from Blue Cross Blue Shield to Affiliated Computer Services was seamless and successful. However, the Department's fiscal agent inherited a large number of uncompleted or open customer service requests from Blue Cross Blue Shield due to its stoppage of work-in-progress on all development activity during the transition phase.

A customer service request (CSR) is initiated by either Departmental staff or fiscal agent personnel to request computer programming or systems changes to implement new policy initiatives or enhancements to existing reporting functions for accounting, budgetary and

programmatic oversight. The following graph shows the number of open and closed CSRs since 1999 as well as the number of net open CSRs.



Data based on calendar year. Data for 2008 includes CSR activity from January through June.

Since 1999, the Department has negotiated with the fiscal agent to secure a limited number of pooled development hours for the design, development and implementation of customer service requests. From the latest procurement of the MMIS contract in July

2007, the Department negotiated 21,600 hours per fiscal year to complete customer service requests.

On January 4, 2007, the Department submitted S-7 as part of its supplemental budget request for FY 2006-07 (FY 2006-07 Supplemental Requests, January 4, 2007, S-7). The additional funding in the amount \$3,454,449 was requested to pay for increases in the fixed price contract, correct fund splits for the Drug Rebate Analysis and Management System based on lower federal participation approval from the Centers for Medicare and Medicaid Services, and costs for reprocurement of the MMIS contract. However, JBC action on January 23, 2007 approved additional funding in the amount of \$2,826,714 for system enhancements based on rebid of the MMIS contract (FY 2006-07 Supplemental Recommendation, JBC Working Document, January 23, 2007, Pages 40-46). The Department used the additional funding to pay for three transition activities: 1) \$1,413,357 for Prescription Drug Claim System, Version 2 deployment and operation; 2) \$706,678.50 for acceptance of operational readiness certification; and 3) \$706,678.50 for completion and acceptance of all transition activities.

General Description of Request:

The Department is requesting additional funding in the amount of \$395,029 and \$395,085 in total funds for FY 2009-10 and FY 2010-11, respectively, to fund 1.0 FTE to design, develop and implement policy changes and enhancements to the Medicaid Management Information System and reduce the backlog of customer service requests.

The CSR process enables the Department to implement computer programming or systems changes to the MMIS that derive from policy changes from federal or state legislation or internally recommended enhancements that improve the accuracy of budgetary and accounting reporting and programmatic oversight. Some recent examples of CSRs that were completed and improved the Department's efficiency and effectiveness include the following:

- 1) Modified the inpatient payment system effective October 2007 which resulted in a more accurate payment to hospitals.

- 2) Implemented new eligibility and enrollment reporting to better identify clients who are eligible and may or may not be enrolled in managed care. This alignment of reporting enables the Department to better forecast caseload.
- 3) The National Provider Identifier (NPI), a federal mandate from the Centers for Medicare and Medicaid Services, was implemented to provide a single numeric designator for each provider. The NPI greatly simplifies the tracking of providers to minimize claim and payment duplication and other reporting errors.

The Department’s process to complete a CSR requires 11 stages, which are described in the following table.

Departmental Procedure to Complete a Customer Service Request		
Stage	CSR Status	Description
1	Open	The business need for the change has been documented and submitted to the fiscal agent for assessment of level of effort and estimated costs.
2	Define requirements	The business need is converted into system requirements in sufficient detail to confirm the desired change will be achieved.
3	Approve requirements	System requirements are approved by the Department; however revisions at this stage may require this stage to be completed multiple times.
4	Specifications and test plan	The system requirements are converted into specifications that are used by application developers or programmers to implement the change. In addition, a test plan is developed to ensure that the programming changes were implemented correctly and confirm the business needs have been achieved.
5	State review of specifications	System specifications are reviewed by the Department. Any revisions at this stage will cause this stage to be completed multiple times.
6	Approved	System specifications and test plan are approved by the Department.
7	Development	The process of translating design specifications into program code. System documentation is revised to reflect the new design.
8	Testing	Unit testing and end-to-end testing is conducted to ensure that the programming changes have been implemented correctly. These tests must anticipate the full range of data and conditions that might occur within the system, and validate that the overall system functions correctly with the programming code applied.

Departmental Procedure to Complete a Customer Service Request (continued)		
Stage	CSR Status	Description
9	State reviews test results	The test results are reviewed by the Department and approved.
10	Migration	The tested code is migrated into the production environment from the development environment, and the functionality becomes available to all system users.
11	Closed	System documentation is completed and the customer service request is closed.

As of June 2008, the number of CSRs at the various stages can be seen in the following table.

CSR Status	Number of CSRs
Open	342
Define requirements	73
Approve requirements	10
Specifications, Test plan	19
State review specifications	3
Approved	2
Development	23
Testing	8
State review test results	2
Migration	6
Total	488

Once a CSR is initiated it is considered “open”. While it is open, the Department works with the requestor to determine initial requirements and priority relative to the existing list of open CSRs. The CSR is also reviewed by the fiscal agent to assess the level of effort required, cost to implement, and determine if there are any inter-relationships with other CSRs in queue.

As an example, most CSRs initiated as a result of federal or state legislation receive a very high priority. Because this represents a high volume of work, many important CSRs remain open and unaddressed due to workload shortfalls. For instance, in March 2005, a CSR was opened with the requirement to disenroll clients from Medicaid once they became eligible for the Children’s Basic Health Plan. At the time, the existing workload prevented this CSR from being implemented and, as a result, some clients developed overlapping enrollment spans which caused the Department to pay twice for the same client. Whenever this occurs, the Department expends additional administrative resources to identify and rectify the situation. With additional funding to implement important CSRs, the Department could reduce these unnecessary administrative expenses and improve overall Department efficiency. The following table shows the distribution of open CSRs by priority and the number of calendar days open.

Number of Open Customer Service Requests by Priority and Days Open						
Days open	Hold	Low	Medium	High	Very high	Total
1 – 365	0	2	6	11	45	64
366 – 730	0	0	1	0	6	7
731 – 1,095	0	2	4	5	9	20
1,096 – 1,460	0	1	8	20	8	37
1,461 – 1,825	0	4	9	6	14	33
1,826 – 2,190	0	0	4	8	1	13
2,191 – 2,555	0	1	4	13	4	22
2,556 – 2,920	0	2	15	18	2	37
2,921 – 3,285	1	11	20	13	0	45
3,286 – 3,650	4	21	33	6	0	64
Total	5	44	104	100	89	342

From the graph on page 4, it shows that since 2005, the Department has been able to close as many CSRs as were opened that calendar year with existing FTE in the Information Technology Division, corresponding fiscal agent personnel and the number of pooled development hours in the MMIS contract. In order to reduce the backlog of

CSRs further, the Department requests additional funding for 1.0 FTE and 2,625 additional hours for pooled development activities.

The 1.0 FTE General Professional IV would perform assigned MMIS enhancement projects as a work leader for up to six fiscal agent systems analysts, system designers, programmers, and Department personnel. The proposed FTE would have lead responsibility for designing, pricing and acceptance test processes, including expected test results for customer service requests.

The additional funding in the amount of \$330,750 total funds would provide 2,625 hours of additional pooled development activity. This represents approximately one fourth the number of hours allocated under the current contract, and would support approximately 1.5 programmers and one business analyst employed by the fiscal agent.

Additionally, with the expiration of the contract with Affiliated Computer Services on June 30, 2010, the Department could potentially have a new fiscal agent for the MMIS in FY 2010-11. If a new fiscal agent is selected, then the Department would enter another transition phase for system migration which would require the current fiscal agent to halt development activity in the months preceding the start of FY 2010-11. Should this occur the potential for another backlog of uncompleted CSRs exists, but with continuation funding, the Department would ensure that the number CSRs backlogged during the transition phase would be kept to a minimum.

Consequences if Not Funded:

If the request for additional funding is not approved, the Department would be unable to reduce the backlog of CSRs. Without additional funding, the Department may lose the opportunity to capitalize on customer service requests that contain ideas for improved performance and more efficient budgetary and programmatic oversight. Moreover, with the number of pooled development hours being consumed by older CSRs in queue, the Department may have to delay the implementation of CSRs required by future federal legislation which may risk noncompliance with federal regulations and possible loss of federal financial participation for its programs.

Calculations for Request:

Summary of Request FY 2009-10	Total Funds	General Fund	Federal Funds	FTE
Total Request	\$395,029	\$114,828	\$280,201	0.9
(1) Executive Director's Office; (A) General Administration, Personal Services	\$58,101	\$29,051	\$29,050	0.9
(1) Executive Director's Office; (A) General Administration, Operating Expenses	\$6,178	\$3,089	\$3,089	0.0
(1) Executive Director's Office; (C) Information Technology Contracts and Projects, Information Technology Contracts	\$330,750	\$82,688	\$248,062	0.0

Summary of Request FY 2010-11	Total Funds	General Fund	Federal Funds	FTE
Total Request	\$395,085	\$114,856	\$280,229	1.0
(1) Executive Director's Office; (A) General Administration, Personal Services	\$63,385	\$31,693	\$31,692	1.0
(1) Executive Director's Office; (A) General Administration, Operating Expenses	\$950	\$475	\$475	0.0
(1) Executive Director's Office; (C) Information Technology Contracts and Projects, Information Technology Contracts	\$330,750	\$82,688	\$248,062	0.0

Table A: Calculation of Funding for Additional Pooled Development Hours for FY 2009-10 and FY 2010-11		
Row	Description	Amount
A	Negotiated hourly rate for development costs performed by fiscal agent	\$126
B	Requested hours for additional pooled development activities	2,625
C	Total additional funding needed, Row A * Row B	\$330,750
D	Existing number of pooled development hours per fiscal year under contract with fiscal agent	21,600
E	Total pooled development hours, Row B + Row D	24,225

Table B: Fund Splits for Additional Pooled Development Hours			
	Total Funds	General Funds	Federal Funds
Federal financial participation for development activity	100%	25%	75%
Funding for 2,625 hours of pooled development activity	\$330,750	\$82,688	\$248,062

Table C: Number of Customer Service Requests Opened and Closed Since 1999					
Calendar Year	Number of CSRs Opened	Number of CSRs Closed	Cumulative Open	Cumulative Close	Net Open CSRs
1999	881	358	881	358	523
2000	253	205	1134	563	571
2001	119	50	1253	613	640
2002	125	240	1378	853	525
2003	100	56	1478	909	569
2004	186	73	1664	982	682
2005	148	187	1812	1169	643
2006	107	105	1919	1274	645
2007	135	138	2054	1412	642
2008	61	97	2115	1509	606

Net Open CSRs are calculated by subtracting cumulative close from cumulative open.

OSPB Common Policy for FTE Requests							
FTE and Operating Costs					GRAND TOTAL		
Fiscal Year(s) of Request		FY 08-09	FY 09-10	FY 10-11	FY 08-09	FY 09-10	FY 10-11
PERSONAL SERVICES	Title:	General Professional IV					
Number of PERSONS / class title		0	1	1			
Number of months <u>working in</u> FY 08-09, FY 09-10 and FY 10-11		0	12	12			
Number months <u>paid in</u> FY 08-09, FY 09-10 and FY 10-11 ¹		0	11	12			
Calculated FTE per classification		0.0	0.9	1.0	0.0	0.9	1.0
Annual base salary			\$56,796	\$56,796			
Salary		\$0	\$52,063	\$56,796	\$0	\$52,063	\$56,796
PERA	10.15%	\$0	\$5,284	\$5,765	\$0	\$5,284	\$5,765
Medicare	1.45%	\$0	\$755	\$824	\$0	\$755	\$824
Subtotal Personal Services at Division Level		\$0	\$58,102	\$63,385	\$0	\$58,102	\$63,385
OPERATING EXPENSES							
Supplies @ \$500/\$500 ²	\$500	\$0	\$500	\$500	\$0	\$500	\$500
Computer @ \$900/\$0	\$900	\$0	\$900	\$0	\$0	\$900	\$0
Office Suite Software @ \$330/\$0	\$330	\$0	\$330	\$0	\$0	\$330	\$0
Office Equipment @ \$3,998/\$0 (includes cubicle and chair)	\$3,998	\$0	\$3,998	\$0	\$0	\$3,998	\$0
Telephone Base @ \$450/\$450 ²	\$450	\$0	\$450	\$450	\$0	\$450	\$450
Other ^{3,4}					\$0	\$0	\$0
Other ^{3,4}					\$0	\$0	\$0
Other ^{3,4}					\$0	\$0	\$0
Subtotal Operating Expenses		\$0	\$6,178	\$950	\$0	\$6,178	\$950
GRAND TOTAL ALL COSTS		\$0	\$64,280	\$64,335	\$0	\$64,280	\$64,335

Assumptions for Calculations:

The Department assumes that the requested increase for development activity would be funded with 75% federal financial participation for regular operations of the MMIS.

Under the existing MMIS contract, which took effect on July 1, 2007, the Department negotiated an hourly rate of \$126 for systems development projects. With the MMIS

contract expiring on June 30, 2010, the Department cannot predict the hourly rate after reprocurement. As a result, the Department estimated continuation funding for systems development costs using the same hourly rate of \$126.

The \$126 hourly rate was multiplied by an estimated 2,625 hours of additional pooled development activity to calculate the additional \$330,750 in total funds. This represents 25% the number of hours allocated under the current contract.

Given that the number of opened customer service requests has remained relatively constant over the last five years, the Department assumes this trend will continue and that the existing number of hours (21,600) under contract for pooled development activity will remain sufficient to handle all newly added requests per year. Since the additional funds requested in this decision item are needed to further decrease the backlog of open CSRs, the Department requests continuation funding through FY 2010-11 and until it is able to determine its rate of progress toward achieving a sustainable level of open CSR's.

Impact on Other Government Agencies: None.

Cost Benefit Analysis:

FY 2009-10 Cost Benefit Analysis	Benefit	Cost
Request	The completion of customer service requests enables the Department to become more efficient and effective in its accounting, budgetary and programmatic oversight. The backlog of customer service requests includes improvements to automatic reporting of accounting and budget summary tables. The mechanization of these reports reduces the risk of human error. The additional pooled development hours would allow the Department to properly schedule and implement customer service requests required by future state and federal legislation. In doing so, the Department would maintain federal compliance and federal financial participation for its programs.	\$395,029 total funds in FY 2009-10.
Consequences if not funded	No additional General Fund expenditure for FTE and systems development costs.	Unimplemented customer service requests that correct the improper classification of client eligibility or miscalculation of caseload figures increase the Department's administrative expenditures brought about from manual calculation. The delay of implementing customer service requests required by future federal legislation could cause the Department to be in noncompliance and risk loss of continued federal financial participation for its programs.

Statutory and Federal Authority:

25.5-4-204 (3), C.R.S. (2008) *The executive director of the state department shall develop and implement an automated system through which medical assistance claims and payments and eligibility determinations or other related transactions may be processed. The system shall provide for the use of automated electronic technologies. The automated system may be implemented in phases if deemed necessary by the executive director. The automated system shall be implemented only after the executive director determines that: (b) Adequate financing is available to facilitate the implementation and maintenance of the system. Financing may include, but is not limited to, federal funds, appropriations from the general fund, provider transactions fees, or any other financing mechanisms which the state department may impose, and grants or contributions from public or private entities.*

§1903 (a) of the Social Security Act [42 U.S.C. 1396b] (a) *...the Secretary...shall pay to each State which has a plan approved under this title...(3) an amount equal to –... (B) 75 per centum of so much of the sums expended during such quarter as are attributable to the operation of systems (whether such systems are operated directly by the State or by another person under a contract with the State)... which are approved by the Secretary....*

Performance Measures:

Increasing funds for pooled development activities under the Medicaid Management Information System contract would help the Department achieve its performance measure in FY 2009-10 Strategic Plan to “sustain claims system processing timelines to meet requirements and increase system user satisfaction.”