

STATE OF COLORADO FY 2010-11 BUDGET REQUEST CYCLE: DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

Schedule 13 Change Request for FY 2010-11 Budget Request Cycle											
Decision Item FY 2010-11		Base Reduction Item FY 2010-11			Supplemental FY 2009-10			Budget Amendment FY 2010-11			
Request Title: MMIS Adjustments											
Department: Health Care Policy and Financing					Dept. Approval by: John Bartholomew JB			Date: January 25, 2010 1/29/10			
Priority Number: BA-15					OSP Approval: <i>[Signature]</i>			Date: 2-9-10			
	Fund	1 Prior-Year Actual FY 2008-09	2 Appropriation FY 2009-10	3 Supplemental Request FY 2009-10	4 Total Revised Request FY 2009-10	5 Base Request FY 2010-11	6 Decision/ Base Reduction FY 2010-11	7 November 1 Request FY 2010-11	8 Budget Amendment FY 2010-11	9 Total Revised Request FY 2010-11	10 Change from Base (Column 5) FY 2011-12
Total of All Line Items	Total	22,200,548	27,834,289	0	27,834,289	36,883,007	0	36,883,007	(3,395,421)	33,487,586	3,111,258
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	5,299,911	6,708,927	0	6,708,927	6,205,903	0	6,205,903	(317,042)	5,888,861	322,369
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	540,118	538,643	0	538,643	2,488,901	0	2,488,901	(39,402)	2,449,499	0
	CFE/RF	100,328	100,328	0	100,328	100,328	0	100,328	0	100,328	0
	FF	16,260,191	20,486,391	0	20,486,391	28,087,875	0	28,087,875	(3,038,977)	25,048,898	2,788,889
(f) Executive Director's Office:	Total	22,200,548	27,834,289	0	27,834,289	36,883,007	0	36,883,007	(3,395,421)	33,487,586	3,111,258
(c) Information Technology Contracts and Projects.	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Information Technology Contracts	GF	5,299,911	6,708,927	0	6,708,927	6,205,903	0	6,205,903	(317,042)	5,888,861	322,369
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	540,118	538,643	0	538,643	2,488,901	0	2,488,901	(39,402)	2,449,499	0
	CFE/RF	100,328	100,328	0	100,328	100,328	0	100,328	0	100,328	0
	FF	16,260,191	20,486,391	0	20,486,391	28,087,875	0	28,087,875	(3,038,977)	25,048,898	2,788,889
Non-Line Item Request:		Column 8 amends the November 6, 2009 FY 2010-11 base request; Column 10 replaces the annualization originally in BA-16 of January 23, 2009.									
Letternote Revised Text:		The cash funds amount of \$2,449,499 for FY 2010-11 includes \$1,897,689 from the Hospital Provider Fee, \$264,899 from the Health Care Expansion Fund, \$246,126 from the Children's Basic Health Plan Trust Fund, \$1,885 from the Autism Treatment Fund, and \$18,900 from the Department of Health Care Policy and Financing Cash Fund (Fund 23G).									
Cash or Federal Fund Name and COFRS Fund Number:		FF: Title XIX and XXI, CF: Children's Basic Health Plan Trust, Fund 11G									
Reappropriated Funds Source, by Department and Line Item Name:		None.									
Approval by OIT?		Yes: <input checked="" type="checkbox"/> No: <input type="checkbox"/> N/A: <input type="checkbox"/>									
Schedule 13s from Affected Departments:		None.									

CHANGE REQUEST for FY 2010-11 BUDGET REQUEST CYCLE

Department:	Health Care Policy and Financing
Priority Number:	BA-15
Change Request Title:	MMIS Adjustments

SELECT ONE (click on box):

- Decision Item FY 2010-11
- Base Reduction Item FY 2010-11
- Supplemental Request FY 2009-10
- Budget Request Amendment FY 2010-11

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:

The Department requests a onetime reduction of \$3,395,421 total funds, comprised of (\$317,042) General Fund, (\$39,402) cash funds, and (\$3,038,977) federal funds in FY 2010-11 and a onetime increase of \$2,201,258 total funds, comprised of \$231,369 General Fund and \$1,969,889 federal funds in FY 2011-12. The reduction results from an extension provided by the federal government for making system modifications; a portion of the savings are requested to assist with the development of the request for proposals for reprocurement and installing a new version of the Medicaid Management Information System (MMIS) by July 2015. This request includes funding changes for ICD-10 and Version 5010/D.0 due to revision of implementation dates by the Centers for Medicare and Medicaid Services (CMS). The amounts requested are not base changes as the Department projects varying levels of need throughout the various phases of implementation.

Background and Appropriation History:

MMIS Reprocurement History

The Department's MMIS was designed and developed beginning in 1996 through 1998 and implemented on December 1, 1998. In 2001 and prior to expiration of the MMIS

contract on November 30, 2006, the Department submitted a request to the Centers for Medicare and Medicaid Services for extension of the contract from November 2006 to December 2008 due to competing priorities of the Colorado Benefits Management System and Health Insurance Portability and Accountability Act (HIPAA) system development projects. However, on March 29, 2004 CMS denied the Department's request for extension and required that the fiscal agent contract be finalized by December 1, 2006.

This action prompted the Department to submit DI-9, "*MMIS Federally-Mandated Reprourement*", as part of its FY 2005-06, November 1, 2004 Budget Request. The request sought funding in the amount of \$579,600 total funds for FY 2005-06 and \$327,600 total funds for FY 2006-07 to procure a contractor to assist the Department in conducting a bidder's conference, evaluating proposals, and contract performance and monitoring. Funding for FY 2005-06 was appropriated in the Department's Long Bill, SB 05-209.

On January 3, 2005 the Department submitted S-5, BA-2, "*MMIS Federally-Mandated Reprourement*", as part of its supplemental and budget amendment request. The request sought funding in the amount of \$642,600 total funds for FY 2004-05 to evaluate the MMIS operations and develop the request for proposals, and corrected fund splits for FY 2005-06 and FY 2006-07 based on CMS denying federal financial participation of 90% for reprourement activities. The funding for FY 2004-05 was approved and appropriated in the Department's Supplemental Bill, SB 05-112.

On November 15, 2005, the Department submitted DI-4, "*MMIS Federally-Mandated Reprourement*", as part of its FY 2006-07 Budget Request. The request sought additional funding in the amount of \$412,500 total funds for FY 2006-07. The additional funding for FY 2006-07 was approved and appropriated in the Department's Long Bill, HB 06-1385.

Funding for reprourement activities in FY 2007-08 were not needed because the Department completed the reprourement process and awarded the contract to Affiliated Computer Services, Inc. and entered the operational phase on July 1, 2007. From this

date, the Department is permitted by federal regulation to extend the MMIS contract for a total of eight years which includes a limited number of optional renewal periods (State Medicaid Manual, Chapter 2, Section 2080.4). This means that by July 1, 2015 the Department must have a new contract executed for operation of the MMIS. Should the Department delay its reprocurement of the MMIS beyond July 2015, then it risks noncompliance with federal procurement and performance requirements and reduction of federal financial participation of its MMIS (42 C.F.R. §433.119 (c), (2009)).

Implementation of ICD-10 and Version 5010/D.0

On August 22, 2008, the Centers for Medicare and Medicaid Services issued two proposed rules in the Federal Register that would significantly affect the Department's MMIS and provider web portal. The first proposed rule would modify the Medical Data Code Set Standards to adopt the International Classification of Diseases version 10 (ICD-10) and the second would modify the HIPAA Electronic Transaction Standards to adopt Version 5010/D.0. The then proposed implementation dates for Version 5010/D.0 and ICD-10 were April 2010 and October 2011, respectively.

The original standards for the HIPAA Electronic Transaction Standards were developed by two American National Standards Institute accredited standard setting organizations: the National Council for Prescription Drug Programs (NCPDP) and the Accredited Standards Committee (ASC). On August 17, 2000, the Centers for Medicare and Medicaid Services published a final rule in the Federal Register, *Health Insurance Reform: Standards for Electronic Transactions*, concerning HIPAA transaction standards. The rule implemented some of the HIPAA Administrative Simplification requirements by adopting standards for eight electronic transactions and code sets to be used in those transactions. The adopted standards were the NCPDP's Telecommunication Standard Version 5.1 and ASC's X12 Version 4010. The final rule issued on August 22, 2008 would replace the current ASC X12 Version 4010 with ASC X12 Version 5010 and NCPDP Version 5.1 with NCPDP Version D.0.

In order to prepare for the implementation of these federal mandates, the Department submitted BA-16, "*MMIS Funding for HIPAA ICD-10 and Transactions v5010/D.0*", on

January 23, 2009. For FY 2009-10, the Department requested \$546,020 total funds to begin the assessment of its MMIS and \$6,581,432 total funds in FY 2010-11 to begin system development modifications. The requested amount for FY 2009-10 was approved by the Joint Budget Committee during the Department's FY 2009-10 Figure Setting on March 18, 2009 and appropriated in the Department's Long Bill, SB 09-259.

General Description of Request:

The Department requests a net reduction of \$3,395,421 total funds in FY 2010-11 and increase of \$2,201,258 total funds in FY 2011-12, combining increasing funds to assist with procuring and installing a new version of the MMIS by July 2015 and funding changes for ICD-10 and Version 5010/D.0 due to revised implementation dates.

MMIS Reprocurement Consultant

In 1973 Ohio's State Medicaid Agency developed the first version of its MMIS. This version was later adopted and modified by Iowa's State Medicaid Agency. Much later, in 1996, Colorado used Iowa's MMIS as a template to create its own MMIS. In each state adoption, various components or subsystems were modified for local conditions but the original architecture was still based on a legacy environment using the COBOL programming language and DB2 databases.

Based on the State Medicaid Manual, the Department is allowed to extend the MMIS contract up to a maximum of eight years. Given that the current MMIS contract entered the operational phase on July 1, 2007, the Department must renew the contract by July 1, 2015. If the Department renews the contract at that time without updating the computer architecture then its MMIS would effectively be 42 years old.

Given the effective age at that point, the Department believes it must begin the process to determine which portions of the MMIS need to be upgraded using modern architecture and computer programming languages more scalable and adaptable. Moreover, because the majority of operations and system development activity for the MMIS is supported by federal funding through enhanced federal financial participation of 75% to 90%, the CMS Regional Office in Denver also supports the Department's effort to ensure that future MMIS upgrades would bring the best possible return on investment.

To this end the Department requests funding to procure technical services and advisement from a nationally recognized consultant company to assist in the procurement of the next MMIS fiscal agent. The goals for the procurement would be to increase system efficiencies through the implementation of modern information technology and improving the scalability and ease of modification.

Through feedback from several industry advisors and the CMS Regional Office, the Department estimates it would require a minimum of 36 months to design, develop, and implement an upgraded MMIS. This timeframe is consistent with the Department's previous reprocurement activities which took place during FY 2004-05 through FY 2006-07. However, prior to the new system being implemented, the Department would need up to two years to issue a request for proposals and secure federal approval for an upgraded system.

During FY 2010-11 and FY 2011-12 the consultant would assist the Department with the following activities (see Implementation Schedule on page 17):

1. conduct a bidders' conference to allow potential bidders to ask questions regarding the scope of work and to clarify the requirements in the request for proposals;
2. evaluate submitted proposals and prepare the required post-proposal evaluation documents for submission to the Centers for Medicare and Medicaid Services;
3. develop the contract monitoring, service level agreements and performance plan; and
4. track and monitor the design, development and implementation progress.

The Department estimates that consultant services would cost \$439,153 total funds in FY 2010-11 and \$564,400 total funds in FY 2011-12.

Revise Funding for ICD-10 and Version 5010/D.0

In the Department's request for funding to implement Version 5010/D.0 and ICD-10, it assumed implementation dates of April 2010 and October 2011, respectively, as

published in the proposed rule change of August 2008. However, on January 16, 2009 the CMS issued the final version of its rule change with updated implementation dates for ICD-10 and Version 5010/D.0. The new implementation dates are January 2012 for Version 5010/D.0 and October 2013 for ICD-10.

Based on the final version of the rule change and given the fact that the Department has more time to implement these federal mandates, it requests a change in its base request for FY 2010-11 and FY 2011-12. The Department anticipates it would fully expend the \$546,020 total funds appropriated for assessment of the MMIS in FY 2009-10. For FY 2010-11, the Department requested \$6,581,432 total funds but now estimates that it would require \$2,746,858 total funds to complete the required system changes. This is a reduction of \$3,834,574 total funds when compared to the FY 2010-11 base request. For FY 2011-12, the Department originally identified an additional need of \$910,000 total funds but now estimates it would require \$2,546,858 total funds. This is an increase of \$1,636,858 total funds in FY 2011-12 to complete system modifications but does not include \$564,400 total funds for the MMIS reprocurement consultant. The request for funding for the MMIS reprocurement consultant was not requested as part of BA-16.

After the submission of BA-16 on January 23, 2009 the Department was able to reevaluate its estimates for MMIS system development, Independent Verification and Validation (IV&V), MITA, project management and consultation, and provider web portal costs given the implementation date was pushed out to January 2012 and October 2013 for Version 5010/D.0 and ICD-10, respectively.

For MMIS system development activities from FY 2010-11 through FY 2013-14, the Department estimates it would cost \$4,996,793 total funds to implement both Version 5010/D.0 and ICD-10 instead of \$6,581,432 total funds as presented in BA-16. The reduced estimate is the result of having more time to implement system changes. However, the Department is awaiting the results of the MMIS assessment to provide more detailed estimates on system development costs. The assessment is due to be completed by June 2010. Should the results of the assessment require the Department to change its request amounts, then the Department would consider submitting a change request through the normal budget process. Table 10 details the derivation of the new

estimate. The Department intends to structure the contract for this part of the request based on monthly payments rather than on specific deliverables.

For IV&V activities, occurring in FY 2011-12, FY 2012-13, and FY 2013-14, the Department estimates it would cost \$700,000 total funds to procure contractor services to independently verify the system changes both Version 5010/D.0 and ICD-10 were made according to industry standards. The estimated costs are higher by \$100,000 total funds as presented in BA-16 due to needing an additional year to complete IV&V activities in FY 2013-14. The Department will purchase IV&V services on a per year basis. The cost of IV&V services is estimated to be \$300,000 per year. Therefore the Department estimates that it will require \$300,000 total funds in both FY 2011-12 and FY 2012-13. The Department expects to require IV&V services for only 4 months during FY 2013-14, and so expects to need only \$100,000 in FY 2013-14.

The CMS Regional Office estimates that the MITA assessment would cost approximately \$1,500,000 (see tables 2 and 3 for FY 2010-11 and FY 2011-12 costs). The Department assumes 90% federal financial participation for this activity since it is an initiative sponsored by CMS.

With the implementation of two proposed rules by the Centers for Medicare and Medicaid Services, the Department assumes project management and consultation services would be needed due to the lack of internal resources to manage two additional development projects as complex as ICD-10 and Version 5010/D.0. During the implementation of ICD-10 and Version 5010/D.0, the Department assumes it would require two certified project management analysts. The Department assumes that it would utilize the State Price Agreement to procure IT Staff Augmentation. The State Price Agreement sets a ceiling of \$100,000 total funds per fiscal year per individual. The project managers would be needed from FY 2010-11 through FY 2012-13 and four months in FY 2013-14 (see Tables 2 through 5).

For provider web portal changes, occurring from FY 2010-11 through FY 2013-14, the Department estimates it would cost \$159,400 total funds to implement changes for both Version 5010/D.0 and ICD-10 instead of \$163,900 total funds as presented in BA-16.

The provider web portal costs are lower because the web portal contractor, CGI Federal, revised their estimate after receiving the final version of the rule changes dated January 16, 2009. Funding for web portal changes is included in the figures from Rows A and B in Table 1. The Department intends to structure the contract for this part of the request based on monthly payments rather than on specific deliverables.

Consequences if Not Funded:

The Department is not able to absorb the system development and project management activities required by these federal mandates with existing resources. Without project management and technical consulting assistance the Department would be unable to implement the system development changes by the required deadlines. Failure to meet the federally required deadlines may result in reduction of federal financial participation for the MMIS (42 C.F.R. §433.119 (c), (2009)). Furthermore, the Department would experience delayed implementation of other IT projects; incomplete MMIS contract requirements; higher maintenance and system enhancement costs; and reduced system performance.

Calculations for Request:

Row	Summary of Request FY 2010-11	Total Funds	General Fund	Cash Funds*	Federal Funds
A	Total Request (Row E + Row F)	(\$3,395,421)	(\$317,042)	(\$39,402)	(\$3,038,977)
B	(1) Executive Director's Office; (C) Information Technology Contracts and Projects, Information Technology Contracts	(\$3,395,421)	(\$317,042)	(\$39,402)	(\$3,038,977)
C	<i>FY 2009-10 appropriation (a component of \$36,910,891 total funds as shown in the FY 2009-10 (1) Executive Director's Office: (C) Information Technology Contracts and Projects, Information Technology Contracts November 6, 2009 FY 2010-11 base request)***</i>	\$546,020	\$52,964	\$5,733	\$487,323
D	<i>Department reconciliation FY 2010-11 November 6, 2009, page 9 (Annualization of FY 2009-10 Budget Amendment 16)</i>	\$6,035,412	\$593,922	\$33,669	\$5,407,821
E	<i>Base Request (A component of \$36,910,891 total funds as shown in the FY 2009-10 (1) Executive Director's Office: (C) Information Technology Contracts and Projects, Information Technology Contracts November 6, 2009 FY 2010-11 base request)</i>	\$6,581,432	\$646,886	\$39,402	\$5,895,144
F	<i>Revised Estimate for ICD-10 Implementation*(See Table 2)</i>	\$2,746,858	\$285,929	\$0	\$2,460,929
G	<i>FY 2010-11 Budget Amendment - Total Change in Revised Request (Row D – Row C)**</i>	(\$3,834,574)	(\$360,957)	(\$39,402)	(\$3,434,215)
H	<i>FY 2010-11 Budget Amendment - MMIS Reprocurement Consultant</i>	\$439,153	\$43,915	\$0	\$395,238

*Due to the projected insolvency of the Children's Basic Health Plan Trust Fund in FY 2011-12, the Department is requesting refinancing \$15,740 cash funds that would have come from the Children's Basic Health Plan Trust Fund for the increase for ICD-10 implementation with General Fund beginning FY 2010-11; this is included in the \$285,929 in Row F above.

**The base request included \$39,402 cash funds from the Children's Basic Health Plan Trust Fund. Given the projected insolvency, the Department also requests to refinance \$39,402 cash funds with General Fund in this FY 2010-11 amendment.

*** For additional information see FY 2009-10 Budget Amendment 16 (Fiscal Year 2009-10 Figure Setting, Department of Health Care Policy and Financing, March 18, 2009, Pages 91-92).

STATE OF COLORADO FY 2010-11 BUDGET REQUEST CYCLE: DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

Row	Summary of Request FY 2011-12	Total Funds	General Fund	Cash Funds*	Federal Funds
A	Total Request	\$3,111,258	\$322,369	\$0	\$2,788,889
B	(1) Executive Director's Office; (C) Information Technology Contracts and Projects, Information Technology Contracts	\$3,111,258	\$322,369	\$0	\$2,788,889
C	<i>FY 2010-11 Budget Amendment - Revised Estimate for ICD-10 Implementation* (see Table 3)</i>	\$2,546,858	\$265,929	\$0	\$2,280,929
D	<i>FY 2010-11 Budget Amendment - MMIS Reprourement Consultant</i>	\$564,400	\$56,440	\$0	\$507,960

*Due to the projected insolvency of the Children's Basic Health Plan Trust Fund in FY 2011-12, the Department is requesting refinancing \$15,740 cash funds with General Fund beginning FY 2010-11.

	Summary of Request FY 2012-13	Total Funds	General Fund	Cash Funds*	Federal Funds
A	(1) Executive Director's Office; (C) Information Technology Contracts and Projects, Information Technology Contracts	\$2,046,858	\$200,189	\$15,740	\$1,830,929

	Summary of Request FY 2013-14	Total Funds	General Fund	Cash Funds*	Federal Funds
A	(1) Executive Director's Office; (C) Information Technology Contracts and Projects, Information Technology Contracts	\$682,286	\$66,729	\$5,247	\$610,310

	Summary of Request FY 2014-15	Total Funds	General Fund	Cash Funds*	Federal Funds
A	(1) Executive Director's Office; (C) Information Technology Contracts and Projects, Information Technology Contracts	\$0	\$0	\$0	\$0

Row	Description	FY 2009-10	FY 2010-11	FY 2011-12
A	BA-16 MMIS Funding for HIPAA ICD-10 and Transactions v5010/D.0 (FY 2009-10 Stand Alone Budget Amendments; January 23, 2009)	\$546,020	\$6,581,432	\$910,000
B	Revised Funding Need (See Tables 2-5)	\$546,020	\$2,746,858	\$2,546,858
C	Total Change in Revised Request (Row B – Row A)	\$0	(\$3,834,574)	(\$1,636,858)

*Bold denotes funding that has already been appropriated or approved as part of BA-16.

Description	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	Total Cost
Portal Change Management for Web Portal	\$47,820	\$47,820	\$47,820	\$15,940	\$159,400
MMIS System Development Work	\$1,499,038	\$1,499,038	\$1,499,038	\$499,680	\$4,999,793
Independent Verification and Validation for Version 5010/D.0	\$0	\$300,000	\$300,000	\$100,000	\$700,000
Project Management and Consultation Services	\$0	\$200,000	\$200,000	\$66,666	\$466,666
Medicaid Information Technical Architecture	\$1,000,000	\$500,000	\$0	\$0	\$1,500,000
Total	\$2,746,858	\$2,546,858	\$2,046,858	\$682,286	

Description	TF	GF	CF	FF	FFP
Portal Change Management for Web Portal	\$47,820	\$4,782	\$0	\$43,038	90.00%
MMIS System Development Work*	\$1,499,038	\$145,407	\$15,740	\$1,337,891	89.25%
Independent Verification and Validation for Version 5010/D.0	\$0	\$0	\$0	\$0	0.00%
Project Management and Consultation Services	\$200,000	\$20,000	\$0	\$180,000	90.00%
Medicaid Information Technical Architecture (MITA) Assessment	\$1,000,000	\$100,000	\$0	\$900,000	90.00%
Total Funding Need for FY 2010-11 ICD-10 and Version 5010/D.0 Implementation	\$2,746,858	\$270,189	\$15,740	\$2,460,929	89.59%

*Although the table shows that \$15,740 would come from the Children’s Basic Health Plan Trust Fund, the Department is requesting that it be refinanced with General Fund beginning FY 2010-11 due to the projected insolvency of the Children’s Basic Health Plan Trust Fund. As a result the General Fund request amount is \$270,189 plus \$15,740 or \$285,929 in FY 2010-11. For this reason this table delineating the need for funding will continue to show cash funds from the Children’s Basic Health Plan Trust Fund to more easily identify the amount needed should cash funding become available at a future date until then, this table will not match the Schedule 13. The FMAP rate is a blend of the 90% enhanced match for Medicaid and 65% match for Children's Basic Health Plan.

Table 3: Updated Funding For FY 2011-12, ICD-10 and Version 5010/D.0					
Description	TF	GF	CF	FF	FFP Rate
Portal Change Management for Web Portal	\$47,820	\$4,782	\$0	\$43,038	90.00%
MMIS System Development Work*	\$1,499,038	\$145,407	\$15,740	\$1,337,891	89.25%
Independent Verification and Validation for Version 5010/D.0	\$300,000	\$30,000	\$0	\$270,000	90.00%
Project Management and Consultation Services	\$200,000	\$20,000	\$0	\$180,000	90.00%
Medicaid Information Technical Architecture (MITA) Assessment	\$500,000	\$50,000	\$0	\$450,000	90.00%
Total Funding Need for FY 2011-12 ICD-10 and Version 5010/D.0 Implementation	\$2,546,858	\$250,189	\$15,740	\$2,280,929	89.56%

*Although the table shows that \$15,740 would come from the Children's Basic Health Plan Trust Fund, the Department is requesting that it be refinanced with General Fund beginning FY 2010-11 due to the projected insolvency of the Children's Basic Health Plan Trust Fund. As a result the General Fund request amount is \$250,189 plus \$15,740 or \$265,929 in FY 2011-12. For this reason this table delineating the need for funding will continue to show cash funds from the Children's Basic Health Plan Trust Fund to more easily identify the amount needed should cash funding become available at a future date. Until then, this table will not match the Schedule 13. The FMAP rate is a blend of the 90% enhanced match for Medicaid and 65% match for Children's Basic Health Plan.

Table 4: Estimated Funding in FY 2012-13, ICD-10 and Version 5010/D.0					
Description	TF	GF	CF	FF	FFP Rate
Portal Change Management for Web Portal	\$47,820	\$4,782	\$0	\$43,038	90.00%
MMIS System Development Work*	\$1,499,038	\$145,407	\$15,740	\$1,337,891	89.25%
Independent Verification and Validation for Version 5010/D.0	\$300,000	\$30,000	\$0	\$270,000	90.00%
Project Management and Consultation Services	\$200,000	\$20,000	\$0	\$180,000	90.00%
Medicaid Information Technical Architecture (MITA) Assessment	\$0	\$0	\$0	\$0	0.00%
Total Funding Need for FY 2012-13 ICD-10 and Version 5010/D.0 Implementation	\$2,046,858	\$200,189	\$15,740	\$1,830,929	89.45%

*Although the table shows that \$15,740 would come from the Children's Basic Health Plan Trust Fund, the Department is requesting that it be refinanced with General Fund beginning FY 2010-11 due to the projected insolvency of the Children's Basic Health Plan Trust Fund. As a result the General Fund request amount is \$200,189 plus \$15,740 or \$215,929 in FY 2012-13. For this reason this table delineating the need for funding will continue to show cash funds from the Children's Basic Health Plan Trust Fund to more easily identify the amount needed should cash funding become available at a future date. Until then, this table will not match the Schedule 13. The FMAP rate is a blend of the 90% enhanced match for Medicaid and 65% match for Children's Basic Health Plan.

Table 5: Estimated Funding in FY 2013-14, ICD-10 and Version 5010/D.0					
Description	TF	GF	CF	FF	FFP Rate
Portal Change Management for Web Portal	\$15,940	\$1,594	\$0	\$14,346	90.00%
MMIS System Development Work*	\$499,680	\$48,469	\$5,247	\$445,964	89.25%
Independent Verification and Validation for Version 5010/D.0	\$100,000	\$10,000	\$0	\$90,000	90.00%
Project Management and Consultation Services	\$66,666	\$6,666	\$0	\$60,000	90.00%
Medicaid Information Technical Architecture (MITA) Assessment	\$0	\$0	\$0	\$0	0.00%
Total Funding Need for FY 2013-14 ICD-10 and Version 5010/D.0 Implementation	\$682,286	\$66,729	\$5,247	\$610,310	89.45%

*Although the table shows that \$15,740 would come from the Children's Basic Health Plan Trust Fund, the Department is requesting that it be refinanced with General Fund beginning FY 2010-11 due to the projected insolvency of the Children's Basic Health Plan Trust Fund. As a result the General Fund request amount is \$66,729 plus \$5,247 or \$71,976 in FY 2013-14. For this reason this table delineating the need for funding will continue to show cash funds from the Children's Basic Health Plan Trust Fund to more easily identify the amount needed should cash funding become available at a future date. Until then, this table will not match the Schedule 13. The FMAP rate is a blend of the 90% enhanced match for Medicaid and 65% match for Children's Basic Health Plan.

Table 6: Fund Splits Between Medicaid and Children's Basic Health Plan for MMIS System Development Costs For FY 2010-11 Through FY 2012-13

Program Splits	Total Percentage	Total Costs	General Fund	Cash Funds*	Federal Funds
Total Costs	100%	\$1,499,038	\$145,407	\$15,740	\$1,337,891
Medicaid Percentage	97%		10%	0%	90%
Medicaid Costs		\$1,454,067	\$145,407	\$0	\$1,308,660
Children's Basic Health Plan Percentage	3%		0%	35%	65%
Children's Basic Health Plan Costs		\$44,971	\$0	\$15,740	\$29,231

*Based on the historical percentage of capitations paid for in the MMIS for the Children's Basic Health Plan, the Department funds system development costs with 3% from the Children's Basic Health Plan Trust Fund and the remainder from the Medicaid program. However, given the projected insolvency of the Children's Basic Health Plan Trust Fund in FY 2011-12, the Department is requesting refinancing the cash funds from the Children's Basic Health Plan Trust Fund with General Fund beginning FY 2010-11.

Table 7: Fund Splits Between Medicaid and Children's Basic Health Plan for MMIS System Development Costs For FY 2013-14

Program Splits	Total Percentage	Total Costs	General Fund	Cash Funds*	Federal Funds
Total Costs	100%	\$499,680	\$48,469	\$5,247	\$445,964
Medicaid Percentage	97%		10%	0%	90%
Medicaid Costs		\$484,689	\$48,469	\$0	\$436,220
Children's Basic Health Plan Percentage	3%		0%	35%	65%
Children's Basic Health Plan Costs		\$14,990	\$0	\$5,247	\$9,744

*Based on the historical percentage of capitations paid for in the MMIS for the Children's Basic Health Plan, the Department funds system development costs with 3% from the Children's Basic Health Plan Trust Fund and the remainder from the Medicaid program. However, given the projected insolvency of the Children's Basic Health Plan Trust Fund in FY 2011-12, the Department is requesting refinancing the cash funds from the Children's Basic Health Plan Trust Fund with General Fund beginning FY 2010-11.

Cash Funds Projections:

Cash Fund Name	Cash Fund Number	FY 2008-09 Expenditures	FY 2008-09 End of Year Cash Balance	FY 2009-10 End of Year Cash Balance Estimate	FY 2010-11 End of Year Cash Balance Estimate	FY 2011-12 End of Year Cash Balance Estimate
Children's Basic Health Plan Trust	11G	\$32,626,199	\$6,608,063	\$817,042	\$2,585,875	(\$7,626,892)

Note: Given the projected insolvency of the Children's Basic Health Plan Trust Fund in FY 2011-12, the Department is requesting refinancing the cash funds from the Children's Basic Health Plan with General Fund beginning FY 2010-11.

Assumptions for Calculations:

MMIS Reprocurement Consultant

The Department assumes that a consultant would use varying levels of expertise, depending on the specific work activity in progress. It is estimated that a senior consultant would cost approximately \$175 per hour, a general consultant approximately \$150 per hour, and a junior consultant approximately \$100 per hour. The estimates per hour and the number of hours were estimated by the Information Technology staff based on prior experience with consultants.

This estimate is higher than the previous MMIS reprocurement due to the fact that the scope of work for the vendor will have expanded significantly from the previous reprocurement. On the previous reprocurement, the vendor had only to take over the existing system. For the next reprocurement there is a significant increase in the complexity. The vendor will need to determine if the current system could be appropriately and cost effectively upgraded through an off-the-shelf system or must be custom built. The new vendor will have to also ensure that the new system is in compliance with all new federal requirements such as MITA, ICD-10, and Version 5010/D.0, while still providing the services that are necessary to efficiently operate the system in the service of the state. Since these are only estimates, once the vendor has been procured, the Department will request any necessary adjustments through the regular budget process.

Table 8: Calculation of Consultant Cost for FY 2010-11						
Row	Number of Months Consultant Needed	Type of Consultant	Number of Consultants	Hours Needed*	Hourly Rate	Total Cost**
A	4	General	1.0	640	\$150	\$96,000
B	4	Senior	1.0	640	\$175	\$112,000
C	5	Senior	1.0	800	\$175	\$140,000
D	6	Junior	0.9	912	\$100	\$91,153
E						\$439,153

*Calculation assumes consultants would work 8 hours per day and 20 days per month.

** Numbers may not add exactly due to rounding

Table 9: Calculation of Consultant Cost for FY 2011-12						
Row	Number of Months Consultant Needed	Type of Consultant	Number of Consultants	Hours Needed*	Hourly Rate	Total Cost**
A	4	General	1.0	640	\$150	\$96,000
B	4	Senior	1.0	640	\$175	\$112,000
C	8	Senior	1.0	1280	\$175	\$224,000
D	8	Junior	1.0	1324	\$100	\$132,400
E						\$564,400

*Calculation assumes consultants would work 8 hours per day and 20 days per month.

** Numbers may not add exactly due to rounding

Table 10: Estimated Costs for Version 5010/D.0 and ICD-10 Remediation			
Row	Description	Value/ Amount	Notes
A	Monthly Cost for HIPAA 5010 Remediation	\$87,663	Estimate From The Department's Current MMIS Vendor
B	Months to Complete HIPAA 5010 Remediation	19	Estimate From The Department's Current MMIS Vendor
C	Total Cost for HIPAA 5010 Remediation	\$1,665,598	Row A * Row B
D	Monthly Cost for HIPAA ICD-10 Remediation	\$83,280	Estimate From The Department's Current MMIS Vendor
E	Months to Complete HIPAA ICD-10 Remediation	40	Estimate From The Department's Current MMIS Vendor
F	Total Cost for HIPAA ICD-10 Remediation	\$3,331,195	Row D * Row E
G	Total MMIS Remediation Cost	\$4,996,793	Row C + Row F
H	Estimated Total Months for MMIS Remediation	40	Estimate From The Department's Current MMIS Vendor
I	FY 2010-11 MMIS Remediation Need	\$1,499,038	Row G * 12/40
J	FY 2011-12 MMIS Remediation Need	\$1,499,038	Row G * 12/40
K	FY 2012-13 MMIS Remediation Need	\$1,499,038	Row G * 12/40
L	FY 2013-14 MMIS Remediation Need	\$499,680	Row G * 4/40

Note: Numbers may not add exactly due to rounding.

ICD-10 and Version 5010/D.0 Implementation

After the submission of BA-16 on January 23, 2009 the Department was able to reevaluate its estimates for MMIS system development, Independent Verification and

Validation (IV&V), MITA, project management and consultation, and provider web portal costs given the implementation date was pushed out to January 2012 and October 2013 for Version 5010/D.0 and ICD-10, respectively.

For MMIS system development activities from FY 2010-11 through FY 2013-14, the Department estimates it would cost \$4,996,793 total funds to implement both Version 5010/D.0 and ICD-10 instead of \$6,581,432 total funds as presented in BA-16. The reduced estimate is the result of having more time to implement system changes. However, the Department is awaiting the results of the MMIS assessment to provide more detailed estimates on system development costs. The assessment is due to be completed by June 2010. Should the results of the assessment require the Department to change its request amounts, then it would submit a change request through the normal budget process. Table 10 details the derivation of the new estimate. The Department intends to structure the contract for this part of the request based on monthly payments rather than on specific deliverables.

For IV&V activities, occurring in FY 2011-12, FY 2012-13, and FY 2013-14, the Department estimates it would cost \$700,000 total funds to procure contractor services to independently verify the system changes both Version 5010/D.0 and ICD-10 were made according to industry standards. The estimated costs are higher by \$100,000 total funds as presented in BA-16 due to needing an additional year to complete IV&V activities in FY 2013-14. The Department will purchase IV&V services on a per year basis. The cost of IV&V services is estimated to be \$300,000 per year. Therefore the Department estimates that it will require \$300,000 total funds in both FY 2011-12 and FY 2012-13. The Department expects to require IV&V services for only 4 months during FY 2013-14, and so expects to need only \$100,000 in FY 2013-14.

The CMS Regional Office estimates that the MITA assessment would cost approximately \$1,500,000 (see tables 2 and 3 for FY 2010-11 and FY 2011-12 costs). The Department assumes 90% federal financial participation for this activity since it is an initiative sponsored by CMS.

With the implementation of two proposed rules by the Centers for Medicare and Medicaid Services, the Department assumes project management and consultation services would be needed due to the lack of internal resources to manage two additional development projects as complex as ICD-10 and Version 5010/D.0. During the implementation of ICD-10 and Version 5010/D.0, the Department assumes it would require two certified project management analysts. The Department assumes that it would utilize the State Price Agreement to procure IT Staff Augmentation. The State Price Agreement sets a ceiling of \$100,000 total funds per fiscal year per individual. The project managers would be needed from FY 2010-11 through FY 2012-13 and four months in FY 2013-14 (see Tables 2 through 5).

For provider web portal changes, occurring from FY 2010-11 through FY 2013-14, the Department estimates it would cost \$159,400 total funds to implement changes for both Version 5010/D.0 and ICD-10 instead of \$163,900 total funds as presented in BA-16. The provider web portal costs are lower because the web portal contractor, CGI Federal, revised their estimate after receiving the final version of the rule changes dated January 16, 2009. Funding for web portal changes is included in the figures from Rows A and B in Table 1. The Department intends to structure the contract for this part of the request based on monthly payments rather than on specific deliverables.

The Medicaid program would pay 97% of the total cost for the assessment and system development costs with the remaining 3% to be funded by the Children's Basic Health Plan. This percentage was determined as the historical percentage of capitations paid for in the MMIS for the Children's Basic Health Plan compared to the total forecasted claims and capitations paid. Funding from the Children's Basic Health Plan is comprised of 35% cash funds and 65% federal funds.

The Centers for Medicare and Medicaid Services may approve an enhanced funding split of 10% state funds and 90% federal funds for Title XIX system development projects. However, the enhanced funding split requires the submission and approval of an Advance Planning Document. The Department expects to prepare and submit the document for federal approval in early 2010.

Impact on Other Government Agencies: The Department will coordinate with the Governor’s Office of Information Technology.

Cost Benefit Analysis:

FY 2010-11 Cost Benefit Analysis	Benefit	Cost
Request	The implementation of ICD-10 would provide more accurate payments for new procedures, fewer rejected and improper claims, improved disease management, and better understanding of health conditions and health care outcomes. Having a MMIS reprocurement contractor assisting the Department would provide IT and Medicaid industry expertise; detailed scope of work requirements for the request for proposals; and timely implementation.	A reduction of (\$3,395,421) total funds in FY 2010-11 and increase of \$3,111,258 total funds in FY 2011-12.
Consequences if not funded	No additional General Fund expenditure for system development work to comply with ICD-10 and Version 5010/D.0 implementation. No General Fund for MMIS Reprocurement Contractor.	The Department risks federal sanctions for noncompliance of a federal mandate and possible reduction of federal Title XIX funding for its MMIS. In addition, the MMIS would no longer be interoperable with other provider systems that become ICD-10 and Version 5010/D.0 compliant. Should this occur, then the Department’s providers would be unable to properly bill for services provided to the Department’s Medicaid clients. Additionally, if the Department did not procure contractor services to assist in the next procurement of the MMIS, it may experience delayed implementation; issue incomplete requirements in request for proposals; and increase total cost of ownership.

Implementation Schedule:

Task	Month/Year
Submission of Advanced Planning Documents for ICD-10/5010, MITA, MMIS Procurement Technical Assistance	Early 2010
Procure Project Management Consultants Using State Price Agreement	Spring 2010*
Draft Request for Proposals To Procure MMIS Reprocurement Contractor, IV&V and MITA Consultants	Spring 2010*
Begin ICD-10, Version 5010/D.0 and Provider Web Portal System Changes	July 2010
Post Request for Proposals for ICD-10/5010, MITA, MMIS Procurement Technical Assistance Contractors	Summer 2010
Evaluate Request for Proposals for ICD-10/5010, MITA, MMIS Procurement Technical Assistance Contractors	Summer 2010
Award Contract to ICD-10/5010, MITA, MMIS Procurement Technical Assistance Contractors	Fall 2010
MMIS Reprocurement Technical Assistance, MITA Contractor Begins	Fall 2010
IV&V Consultant Begins	July 2011
Complete Version 5010/D.0 System Modifications	January 2012
Complete Provider Web Portal System Modifications	October 2013
Complete ICD-10 System Modifications	October 2013
Complete Post-Implementation Acceptance	December 2013
*Funding for tasks occurring in FY 2009-10 was appropriated in S.B. 09-259 based on the Department's FY 2009-10 Budget Amendment 16.	

Statutory and Federal Authority:

25.5-4-204 (3), C.R.S. (2009) *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....

42 C.F.R. § 433.112, (2008) FFP for design, development, installation or enhancement of mechanized claims processing and information retrieval systems. (a) FFP is available at the 90 percent rate in State expenditures for the design, development, installation, or enhancement of a mechanized claims processing and information retrieval system only if the APD is approved by CMS prior to the State's expenditure of funds for these purposes.

45 C.F.R § 95.611, (2008) Prior approval conditions. (a) (2) General acquisition requirements. A State shall obtain prior written approval from the Department as specified in paragraph (b) of this section, when the State plans to acquire ADP equipment or services with proposed FFP at the enhanced matching rate authorized by 45 CFR 205.35, 45 CFR part 307 or 42 CFR part 433, subpart C, regardless of the acquisition cost.

45 C.F.R § 95.611, (2008) Prior approval conditions. (b)(2) Specific prior approval requirements. The State agency shall obtain written approval of the Department prior to the initiation of project activity. For enhanced FFP requests.

(i) For the Planning APD.

(ii) For the Implementation APD.

(iii) For the Request for Proposal and contract, unless specifically exempted by the Department, prior to release of the RFP or prior to execution of the contract when the contract is anticipated to or will exceed \$100,000.

Performance Measures:

Increasing funds for a reprocurement contractor and for implementation of ICD-10 and Version 5010/D.0 in the Medicaid Management Information System contract would help the Department achieve its objective to assure delivery of appropriate, high quality health care in the most cost-effective manner possible.