

**Schedule 13
Funding Request for the 2012-13 Budget Cycle**

Department: Health Care Policy and Financing

Request Title: MMIS Technical Adjustments

Priority Number: BA-6

Dept. Approval by: John Bartholomew *TJB 12/20/11* Date

OSPB Approval by: Erin M. S. L. A. *12/28/11* Date

- Decision Item FY 2012-13
- Base Reduction Item FY 2012-13
- Supplemental FY 2011-12
- Budget Amendment FY 2012-13

Line Item Information		FY 2011-12		FY 2012-13		FY 2013-14
		1	2	3	4	5
	Fund	Appropriation FY 2011-12	Supplemental Request FY 2011-12	Base Request FY 2012-13	Funding Change Request FY 2012-13	Continuation Amount FY 2013-14
Total of All Line Items	Total	\$32,412,990	\$0	\$31,767,217	\$1,065,358	\$0
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$6,581,901	\$0	\$6,459,471	\$0	\$0
	GFE	\$0	\$0	\$0	\$0	\$0
	CF	\$1,479,670	\$0	\$1,698,513	\$225,140	\$0
	RF	\$100,328	\$0	\$100,328	\$0	\$0
	FF	\$24,251,091	\$0	\$23,508,905	\$840,218	\$0
(1) Executive Director's Office; (C) Information Technology Contracts and Projects, Information Technology Contracts^a	Total	\$32,412,990	\$0	\$31,767,217	\$1,065,358	\$0
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$6,581,901	\$0	\$6,459,471	\$0	\$0
	GFE	\$0	\$0	\$0	\$0	\$0
	CF	\$1,479,670	\$0	\$1,698,513	\$225,140	\$0
	RF	\$100,328	\$0	\$100,328	\$0	\$0
	FF	\$24,251,091	\$0	\$23,508,905	\$840,218	\$0

Letternote Text Revision Required? Yes: No: If yes, describe the Letternote Text Revision:

FY 2012-13

^a Of this amount, \$1,449,880-\$1,674,940 shall be from the Hospital Provider Fee Cash Fund...

Cash or Federal Fund Name and COFRS Fund Number: CF: Hospital Provider Fee Cash Fund (24A); FF: Title XIX, Title XXI

Reappropriated Funds Source, by Department and Line Item Name: None

Approval by OIT? Yes: No: Not Required:

Schedule 13s from Affected Departments: None

Other Information: None



DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

John W. Hickenlooper
Governor

*FY 2012-13 Budget Amendment
January 3, 2012*

Susan E. Birch
Executive Director

*Department Priority: BA-6
Request Title: MMIS Technical Adjustments*

Summary of Incremental Funding Change for FY 2012-13	Total Funds	General Fund	FTE
Total Request	\$1,065,358	\$0	0.0

Request Summary:

The Department requests an increase of \$1,065,358 total funds in FY 2012-13, comprised of \$225,140 hospital provider fee cash funds and \$840,218 federal funds. The Department also requests roll forward authority for any unused FY 2011-12 General Fund appropriated for the Medicaid Management Information System (MMIS) system development projects. The Department makes these requests in order to true up appropriated funding with actual need for MMIS system development projects.

For many MMIS system development projects, timelines and costs have changed since the original estimates were made. These changes require flexibility in funding for MMIS system development projects in order to shift funding between fiscal years and reorganize funding from development projects that cost less than the original estimate to development projects that cost more than the original estimate.

The MMIS system development projects affected by this request include Reimbursement Reporting and the All Patient Refined Diagnosis Related Groups (APR-DRG) inpatient hospital rate reform system development projects funded under HB 09-1293. The Department is requesting to update the appropriations provided under HB 09-1293 for these projects to reflect updated estimates. The Department is also refinancing General Fund appropriated to several

system-wide projects to hospital provider fee cash fund.

It has been the Department's experience that many initial cost and timeline estimates for MMIS system development projects prove to be inaccurate relative to the final cost and time required to complete the project. This occurs because the Department is often required to request funding based on high-level estimates due to the State budgeting process, and more refined estimates are developed as the Department and its fiscal agent complete detailed business requirements for these development projects. Two major examples of this experience are the Adults without Dependent Children (AwDC) and Buy-In Programs for Individuals with Disabilities (Buy-In) expansions system development under HB 09-1293 and the federally-mandated Health Insurance Portability and Accountability Act (HIPAA) version 5010/D.0 system development as outlined in the Department's FY 2010-11 BA-15.

For AwDC and Buy-In expansions system development costs, the Department received an original estimate of \$4,335,912 total funds, spanning three fiscal years with 79% of the cost in FY 2010-11. However, the most recent cost estimate for this system development is \$601,650, with all work to be completed in FY 2011-12. This represents an 87% decrease in cost and

roughly a one year delay from the original estimate.

For HIPAA v5010/D.0 system development costs, the Department received an original estimate of \$1,665,598 total funds, to be completed by January 2012. However, the most recent cost estimate for this system development is \$3,546,245, to be completed by July 2012. This represents a 112% increase in cost and a six month delay from the original estimate.

Due to the volatile nature of MMIS system development cost and timeline estimates, the Department requests roll forward authority for any unused General Fund in FY 2011-12 to be applied toward any MMIS system development costs in FY 2012-13 due to updated timelines and cost estimates.

Anticipated Outcomes:

This request would allow the Department to have appropriately allocated funding for numerous MMIS system development projects by truing up hospital provider fee cash funds with actual need as well as allowing any unused General Fund to be rolled forward from FY 2011-12 to cover development costs in FY 2012-13 due to changing timelines and cost estimates.

Assumptions for Calculations:

In order to calculate funding needs for MMIS system development projects, the Department used the latest cost estimates and timelines from the Department's fiscal agent. See Appendix A for detailed costs for HB 09-1293 development projects in FY 2012-13.

Consequences if not Funded:

If this request is not approved, hospital provider fee funding for MMIS system development projects will be inadequate to complete all necessary systems development projects. Without General Fund roll forward authority for FY 2011-12, the Department may need to request additional General Fund in FY 2012-13 in order to adequately fund and meet federally-mandated implementation deadlines for a number of development projects with shifting timelines and cost estimates.

Cash Fund Projections:

Cash Fund Name	Hospital Provider Fee Cash Fund
Cash Fund Number	24A
FY 2010-11 Expenditures	\$426,069,052
FY 2010-11 End of Year Cash Balance	\$22,198,436
FY 2011-12 End of Year Cash Balance Estimate	\$22,198,436
FY 2012-13 End of Year Cash Balance Estimate	\$22,198,436
FY 2013-14 End of Year Cash Balance Estimate	\$22,198,436

Supplemental, 1331 Supplemental, or Budget Amendment Criteria:

New data has resulted in a substantive change in funding need.

Current Statutory Authority or Needed Statutory Change:

The Department is the single state Medicaid agency and has authority to administer the MMIS through 25.5-4-204 (3), C.R.S. (2011) and §1903 (a) of the Social Security Act [42 U.S.C. 1396b].

Appendix A: Calculations for HB 09-1293 MMIS Projects

FY 2012-13 Hospital Provider Fee Need

Table A.1 contains a detailed breakdown of FY 2012-13 hospital provider fee need for MMIS. The total funds amount needed is \$5,336,610, comprised of \$1,317,953 hospital provider fee cash funds and \$4,018,657 federal funds. This amount includes \$4,071,252 total funds for MMIS ongoing operating costs and development project costs of \$924,839 total funds for APR-DRG rate reform implementation, Reimbursement Reporting, and any unforeseen development needs as requested in the Department's November 1, 2011 FY 2012-13 R-12, "Hospital Provider Fee Administrative True-up." Also included are \$340,519 total funds to refinance 7.92% of General Fund appropriations for a number of system-wide MMIS development projects. This refinance applies to HIPAA v5010/D.0 and International Classification of Diseases, 10th Revision (ICD-10) changes, Medicaid Information Technology Architecture (MITA) and MMIS reprocurement projects, and the implementation of the National Correct Coding Initiative (NCCI.) This refinance is done with the goal of equalizing the hospital provider fee allocation with the proportion of the expansion populations funded under the hospital provider fee relative to the total Medicaid caseload. Because these development projects are system-wide, the department believes it is appropriate to refinance these projects with hospital provider fee cash funds. Please see the Department's January 3, 2012 S-7, "Hospital Provider Fee Administrative True-up" for details regarding the cost allocation methodology used for refinancing.

Table A.1: FY 2012-13 MMIS Hospital Provider Fee Cash Funds Need			
	Total Funds	Cash Funds (Hospital Provider Fee)	Federal Funds
<i>Ongoing Operations</i>			
Claims Processing	\$3,971,252	\$992,813	\$2,978,439
Postage	\$100,000	\$50,000	\$50,000
Subtotal: Ongoing Operations	\$4,071,252	\$1,042,813	\$3,028,439
<i>Development Projects</i>			
APR-DRG	\$475,146	\$118,786	\$356,360
Reimbursement Reporting	\$249,693	\$62,423	\$187,270
Additional Need	\$200,000	\$50,000	\$150,000
Subtotal: Development Projects	\$924,839	\$231,209	\$693,630
<i>Hospital Provider Fee Refinancing</i>			
HIPAA v5010/D.0 and ICD-10 Refinance	\$265,909	\$28,526	\$237,383
NCCI Refinance	\$52,965	\$13,241	\$39,724
MITA and Reprocurement Refinance	\$21,645	\$2,164	\$19,481
Subtotal: Hospital Provider Fee Refinance	\$340,519	\$43,931	\$296,588
Total FY 2012-13 Need	\$5,336,610	\$1,317,953	\$4,018,657

FY 2012-13 Incremental Request

Table A.2 shows the calculations used to obtain the incremental amount included in this request. For hospital provider fee operations and development, the Department’s FY 2012-13 base request is \$4,885,226 total funds. The Department requested a reduction of \$613,974 total funds in its November 1, 2011 FY 2012-13, “Hospital Provider Fee Administrative True-up” for reduced postage costs, for a total year-to-date FY 2012-13 request of \$4,271,252 total funds. The FY 2012-13 incremental request is an increase of \$1,065,358 total funds, comprised of \$225,140 provider fee cash funds, and \$840,218 federal funds. Please note that the reduction of \$356,987 in provider fee cash funds requested in the Department’s November 1, 2011 FY 2012-13 R-12, “Hospital Provider Fee Administrative True-up” for reduced postage costs and the increase of \$225,140 in provider fee cash funds in this request for development projects results in a the net reduction of \$131,847 in provider fee cash funds for FY 2012-13.

Table A.2: FY 2012-13 MMIS Hospital Provider Fee Cash Funds Incremental Request			
	Total Funds	Cash Funds (Hospital Provider Fee)	Federal Funds
FY 2012-13 Base Request	\$4,885,226	\$1,449,800	\$3,435,426
November 1, 2011 FY 2012-13 R-12	(\$613,974)	(\$356,987)	(\$256,987)
Year-to-Date FY 2012-13 Request	\$4,271,252	\$1,092,813	\$3,178,439
Total FY 2012-13 Need (See Table A.2)	\$5,336,610	\$1,317,953	\$4,018,657
Incremental Request	\$1,065,358	\$225,140	\$840,218