



COMMONWEALTH of VIRGINIA  
*Department of Medical Assistance Services*

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September 30, 2016

MEMORANDUM

TO: The Honorable Thomas K. Norment, Jr.  
Co-Chairman, Senate Finance Committee

The Honorable Emmett W. Hanger, Jr.  
Co-Chairman, Senate Finance Committee

The Honorable S. Chris Jones  
Chairman, House Appropriations Committee

Daniel Timberlake  
Director, Department of Planning and Budget

FROM: Cynthia B. Jones *Cynthia Jones*  
Director, Virginia Department of Medical Assistance Services

SUBJECT: Report on the Replacement of the Medicaid Management Information System

The 2016 Appropriation Act, Chapter 780, 310 L, states:

- 1. Out of this appropriation, \$4,635,000 the first year and \$5,835,000 the second year from the general fund and \$41,715,000 the first year and \$52,515,000 the second year from non-general funds shall be provided to replace the Medicaid Management Information System.*
- 2. Within 30 days of awarding a contract or contracts related to the replacement project, the Department of Medical Assistance Services shall provide the Chairmen of the House Appropriations and Senate Finance Committees, and the Director, Department of Planning and Budget, with a copy of the contract including costs.*
- 3. Beginning July 1, 2016, the Department of Medical Assistance Services shall provide annual progress reports that must include a current project summary, implementation status, accounting of project expenditures and future milestones. All reports shall be submitted to the Chairmen of House Appropriations and Senate Finance Committees, and Director, Department of Planning and Budget.*

Should you have any questions or need additional information, please feel free to contact me at (804) 786-8099.

CBJ/

Enclosure

pc: The Honorable William A. Hazel, Jr., MD, Secretary of Health and Human Resources

# DEPARTMENT OF MEDICAL ASSISTANCE SERVICES

ADMINISTERING MEDICAID AND THE STATE CHILDREN'S HEALTH INSURANCE PROGRAM IN VIRGINIA



**DMAS' mission is to provide a system of high quality and cost effective health care services to qualifying Virginians and their families.**

The Medicaid program, signed into law by President Lyndon B. Johnson on July 30, 1965, celebrated its 50<sup>th</sup> year in 2015.

Medicaid is a joint federal and state program authorized under Title XIX of the Social Security Act that provides health and long-term care coverage for specific groups of Virginians with low incomes. In Virginia, Medicaid is administered by the Department of Medical Assistance Services (DMAS) and is jointly funded by Virginia and the federal government. Virginia's federal matching rate, known as the Federal Medical Assistance Percentage (FMAP) is generally 50%, so Virginia receives \$1 of federal matching funds for every \$1 Virginia spends on Medicaid.

Medicaid is primarily available to children in families with low-income, pregnant women, elderly, individuals with disabilities, and parents below strict income limits.

DMAS also administers Virginia's Children's Health Insurance Program (CHIP) known as FAMIS. FAMIS covers children and pregnant women in families earning too much to qualify for Medicaid but too little to afford private insurance.

All states must follow federal Medicaid/CHIP guidelines regarding who is covered, but set their own income and asset eligibility criteria. Virginia's eligibility criteria are among the strictest in the nation.



## Report to the General Assembly Replacement of the Medicaid Management Information System October 1, 2016

The 2016 Appropriation Act, Chapter 780, 310 L, states:

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The Virginia Department of Medical Assistance Services (DMAS) is replacing its Medicaid Management Information System (MMIS) with a Medicaid Enterprise System (MES). DMAS desires to establish mutually beneficial partnerships with healthcare business-driven technology leaders to collaborate with the Department and other partners in this transition to a more modern Medicaid Business and Technical environment. The Department is identifying collaborative, innovative, cooperative, flexible, and customer-oriented service organizations that are willing to work with the Department and each other to achieve common goals.

As technology has evolved and regulations increased since the initial implementation of the MMIS, the system has become defined by several significant constraints, which include: a general lack of developmental agility, increasing operational costs, and the growing consumption of technical resources necessary to update this dated systems platform. Recent developments in the Medicaid industry and a strategic alignment of federal, state, and agency developments with federal Medicaid Information Technology Architecture (MITA) requirements have increased demands on the existing MMIS beyond limits of the current capacity to respond to business needs quickly and cost effectively.

DMAS has collaborated closely with the Centers for Medicare and Medicaid Services (CMS) representatives and a CMS-sponsored state cohort group on MES procurement approaches to create a roadmap for transitioning from a monolithic mainframe system to a modular enterprise solution.

## **Transformation to a Modern Medicaid Program**

The technology platform to support MES collaboration requires a more modern Medicaid business and technical environment to address the Department's healthcare-related business opportunities and challenges, which include:

- Shifting away from a Fee-For-Service model to providing coverage through a Managed Care model
- Providing a customer-centric services environment
- Creating the ability to accurately measure the performance of DMAS-administered programs in order to adjust for better results
- Creating environments that can be more closely monitored for fraud and abuse incidents
- Promoting an environment that enables DMAS to focus on servicing customers rather than on overcoming technological development hurdles
- Creating a more nimble speed-to-market environment that is responsive to changes and innovation
- Creating an environment that promotes and strengthens DMAS and Contractor relationships to achieve strategic goals
- Creating an environment that leverages state and federal resources to improve healthcare on a national and statewide basis
- Creating a new environment that fosters a transition from a customized software environment to one in which business needs are met through configurations of commercial off-the-shelf (COTS) and software as a service (SaaS) products or Cloud-based solutions

## **MES Procurement Activities Summary**

After receiving approvals from the Virginia Information Technology Agency (VITA), the Office of the Attorney General (OAG), and CMS, DMAS released five (5) Requests for Proposals (RFPs) between June 15 and July 15, 2016. Pre-proposal Bidder conferences were held for each RFP with approximately thirty (30) to over ninety (90) potential bidder representatives attending either in-person or via teleconferencing. Potential bidders submitted over 1,300 questions regarding the RFPs. DMAS staff responded to all questions submitted and posted addenda relative to changes or points of clarification on the RFPs. DMAS Evaluation Teams are assembled and reviews are currently underway.

## **MES Implementation Project Activities Summary**

DMAS held a kickoff meeting for the Initiation and Planning phase for the Managed Care Claims Encounter Processing Solution project on July 15, 2016. The Commonwealth of Virginia (COV) CIO has approved the project initiation.

## **MES Independent Verification and Validation (IV&V) Activities**

As required by the Centers for Medicare and Medicaid Services, DMAS has engaged an Independent Verification & Validation (IV&V) contractor, Ernst & Young (EY), who will conduct MES Program Governance and Structure Milestone Reviews as well MES Certification Readiness Progress Reports. The contractor will review program and project documentation and provide guidance for compliance with the CMS Medicaid Enterprise Certification Toolkit (MECT) checklist of approximately one-thousand (1000+) requirements. A kickoff meeting was held between EY and DMAS on July 7, 2016.

## Virginia's Medicaid Enterprise System Strategy

The Virginia Medicaid Enterprise System (MES) will consist of a modular architecture, with separate components for each of the major business areas, including: (1) Modular Core Services (Provider, Care Management, Plan Performance, and Operations); (2) Financial Management; (3) Pharmacy Benefit Management; (4) Claims Encounter Processing; (5) Integrated Services; and (6) an Enterprise Data Warehouse (supporting analytics.) These are listed below in *Table 1, Business Process Areas Supported by MES*. The business processes within each major business area will also be developed as modular, configurable applications. An Integration Services Solution vendor shall incorporate these loosely-coupled modular systems into a cohesive Medicaid Enterprise System. The Enterprise digital environment will be used as the secure integration vehicle through which all Agency communication and data exchanges will flow. This loosely-coupled design will allow DMAS to more easily adapt to future innovations in a more cost effective manner.

**Table 1: Business Process Areas Supported by MES**

Business Process Areas	Achieving MES Support through a “Staggered Approach”
<b>(1) Modular Core Services Solutions:</b> <ul style="list-style-type: none"> <li>i. Provider Services Solution</li> <li>ii. Care Management Solution</li> <li>iii. Plan Management Solution</li> <li>iv. Performance Management Solution</li> <li>v. Operations Services Solution</li> </ul>	<b>Phase I:</b> Provider Services Solution with all related Portal access <b>Phase II:</b> Care Management Solution, Operations Services Solution, Performance Management Solution, and Plan Management Solution, Appeals Case Management System
<b>(2) Financial Management Solution</b>	<b>Phase I:</b> Financial Accounting & Reporting <b>Phase II:</b> General Ledger, Accounts Receivable , Accounts Payable, Fiscal Management, and Payment and Reporting
<b>(3) Pharmacy Benefit Management Solution</b>	<b>Phase I:</b> General/Claims Processing, Drug Utilization Review (DUR), Utilization Management, Service Authorization, Third Partly Liability (TPL), Encounters, Drug Rebate, and Optional Services <b>Phase II:</b> n/a
<b>(4) Claims Encounter Processing Solution (in-house)</b>	<b>Phase I:</b> New Encounters <b>Phase II:</b> All other Encounters
<b>(5) Integrated Services Solution</b>	Integration of all MES Solutions by multiple phases
<b>(6) Enterprise Data Warehouse Solution</b>	Enterprise Data Warehouse Solution and all other MES Solutions that provide the sources for Data Analytics by multiple phases

## MES Procurement Accomplishments and Plans

### First Quarter 2016

From January through March of 2016, the Agency completed drafting five (5) Requests for Proposals to replace the current MMIS with a Medicaid Enterprise System. The targeted timeline for publishing the RFPs was posted on the DMAS website to maximize planning time for potential vendors. The Department continued discussions with CMS Leadership on Virginia's new approach to modular solutions. The Department was invited to send representatives to a National Governor's Association sponsored roundtable discussion on MES procurement strategy with six (6) other states and CMS Leadership. The Department completed six (6) federally required Implementation Advanced Planning Documents (IAPDs) for submission to ensure federal funding participation for five (5) projects and one (1) in-house solution.

### Second Quarter 2016

From April through June 2016, the Department collaborated with CMS, DMAS Executive Management, the Office of the Attorney General (OAG), and the Virginia Information Technologies Agency (VITA) for the final approvals of the MES RFPs. The Project Management Office participated in monthly CMS-sponsored state cohort group sessions of thirty-five (35) states engaged in an MES procurement. DMAS kept the vendor community abreast of the schedule by updating the targeted timeline for the release of the RFPs pending final approvals. The Department published a Verification and Validation (IV&V) Statement of Requirements (SOR). The IV&V received approvals by CMS and VITA to satisfy both state and federal requirements in one engagement. CMS updated the IV&V federal requirements in a State Medicaid Directors Letter in April 2016. The MES Project Management began recruiting for MES projects.

DMAS scheduled Pre-proposal bidder conferences. The IV&V was awarded to Ernst & Young and a kickoff meeting was scheduled. The Department posted four (4) of the five (5) RFPs.

### Third Quarter 2016

From July through September 2016, the Department received CMS approval for funding the six (6) required Implementation Advanced Planning Documents. The Department also posted the final RFP- for Modular Core Services Solution. DMAS conducted five (5) Pre-proposal Bidder Conferences. Over 1,300+ questions were submitted to DMAS by potential bidders. DMAS completed responses to all RFP questions and posted addenda. The Department received responses for all RFPs. DMAS coordinated Bidder's oral and written presentations for the final round of selections. The MES Project Management Office (PMO) assembled evaluation teams, conducted evaluation training with the Agency Procurements & Contracts representative, and reviewed proposals. Finally, DMAS' IV&V contractor, Ernst and Young, held a kickoff meeting.

### Fourth Quarter 2016 (Planned)

From October through December 2016, the Department plans to complete the proposal evaluations, contract negotiations, contract approvals, notices of intent to issue an award, and to award all MES contracts.



## MES Project Future Milestones Summary

The chart below outlines the future milestones for the six MES related projects.

MES PROJECT	MILESTONES	TARGET DATES
Modular Core Services Solution (MCSS)	Conduct Orals and Presentations	10/2016
	Complete Evaluations/Notice of Intent to Award	11/2016
	Award Contract	12/2016
	Project Planning & Initiation	12/2016 – 01/2017
	Project Execution and Control	02/2017 – 06/2018
	Implementation	07/2018
	Post Implementation/Certification Readiness	07/2018 – 04/2019

MES PROJECT	MILESTONES	TARGET DATES
Financial Management Solution (FMS)	Conduct Orals and Presentations	09/2016
	Complete Evaluations/Notice of Intent to Award	10/2016
	Award Contract	11/2016
	Project Planning & Initiation	11/2016 – 12/2016
	Project Execution and Control	12/2016 – 06/2018
	Implementation	07/2018
	Post Implementation/Certification Readiness	07/2018 – 04/2019

MES PROJECT	MILESTONES	TARGET DATES
Pharmacy Benefit Management Solution (PBMS)	Conduct Orals and Presentations	09/2016
	Complete Evaluations/Notice of Intent to Award	10/2016
	Award Contract	10/2016
	Project Planning & Initiation	11/2016 – 12/2016
	Project Execution and Control	12/2016 – 07/2017
	Implementation	08/2017
	Post Implementation/Certification Readiness	08/2017 – 02/2018

MES PROJECT	MILESTONES	TARGET DATES
Claims Encounter Processing Solution (EPS)	Project Planning & Initiation	07/2016 – 09/2016
	Project Execution and Control	10/2016 – 06/2018
	Implementation	07/2018
	Post Implementation/Certification Readiness	07/2018 – 04/2019

MES PROJECT	MILESTONES	TARGET DATES
Integrated Services Solution (ISS)	Conduct Orals and Presentations	09/2016
	Complete Evaluations/Notice of Intent to Award	10/2016
	Award Contract	11/2016
	Project Planning & Initiation	11/2016 – 12/2016
	Project Execution and Control	12/2016 – 06/2018
	Implementation	07/2018
	Post Implementation/Certification Readiness	07/2018 – 04/2019

MES PROJECT	MILESTONES	TARGET DATES
Enterprise Data Warehouse Solution (EDWS)	Conduct Orals and Presentations	10/2016
	Complete Evaluations/Notice of Intent to Award	11/2016
	Award Contract	12/2016
	Project Planning & Initiation	12/2016 – 01/2017
	Project Execution and Control	02/2017 – 06/2018
	Implementation	07/2018
	Post Implementation/Certification Readiness	07/2018 – 04/2019

## MES Program / Project Status Summary

The modernization of the Virginia Medicaid Enterprise System is consistent with the vision of both CMS and Virginia for a modular information system solution. The MES program consists of six (6) MES projects; five (5) external suppliers and one (1) internal in-house project. The uncoupling of the current monolithic MMIS into separate MES solutions and suppliers will be accomplished through multiple projects, some including multiple phases. This staggered implementation approach will result in transitioning to the new MES while minimizing risks associated with smaller implementation efforts. All six MES projects are expected to be underway by second quarter of SFY 2017.

## Fiscal Impact

Chapter 780 provides \$4,635,000 for fiscal year 2017 and \$5,835,000 for fiscal year 2018 from general funds and \$41,715,000 for fiscal year 2017 and \$52,515,000 for fiscal year 2018 from non-general funds for the replacement of the current Medicaid Management Information System. MES design, development and implementation costs qualify for an enhanced federal match rate of 90% when approved by CMS. To date, only the in-house MES Encounter Processing Solution project has started and begun to incur expenditures. The other modular replacement systems are still in procurement cycles and therefore expenditure amounts are not yet available. DMAS anticipates that the majority of the expenditures associated with the procurement will be realized in the second half of this fiscal year, as contracts are approved by CMS, and awarded by DMAS. MES-related projects will then be initiated and the projects will begin to realize the planned expenditures. DMAS is currently on track with its legislative spending authorization and anticipates adequate funding in 2017..