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December 6, 2018

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: Jennifer S. Lee, M.D. ᒍᐯ
Director, Virginia Department of Medical Assistance Services

SUBJECT: Progress Report on the Replacement of the Medicaid Management
Information System due October 1, 2018

This report is submitted in compliance with Item 307 P3 of the 2018 Appropriation Act which states: "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.

JSL/

Enclosure

pc: The Honorable Daniel Carey, M.D., Secretary of Health and Human Resources

Report Mandate:

Item 307 P3 of the 2018 Appropriations Act states, "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."

Background

The Virginia Department of Medical Assistance Services (DMAS) embarked on replacing its Medicaid Management Information System (MMIS) with a Medicaid Enterprise System (MES). It is the Agency's goal to establish mutually beneficial partnerships with healthcare business suppliers who can provide solutions to achieve the ongoing and dynamic goals of the Agency.

State and federal regulations have increased since the initial implementation of MMIS. The system is limited by several significant constraints, which include: a general lack of development agility, increasing operational costs, and the growing consumption of technical resources necessary to incorporate changes on this dated development platform. At the same time, increasing demands for new programs and services have grown. Virginia citizens expect more accessibility to these services and to the information related to obtaining the services.

In 2016, DMAS began the procurement process in search of technology leaders to collaborate with the Agency and other partners in this transitional journey to a more modern Medicaid Business and Technical environment. The Agency explored the healthcare market through the issuance of Request for Proposals (RFPs) to identify collaborative, innovative, cooperative, flexible, and customer-oriented service organizations that are willing to work with the Agency and each other to achieve common goals. The Procurement cycle that started in 2016 is ending shortly, and multiple projects have been initiated or implemented.

The Centers for Medicare and Medicaid Services (CMS) and the Commonwealth share in the funding of MMIS development and operational expenditures. For DMAS to continue to receive the enhanced funding for transformation to a MES, DMAS had to align the Agency's Information Technology Road Map with CMS' Medicaid Information Technical Architecture (MITA) layers including Business, Technical, and Data requirements.

About DMAS and Medicaid

DMAS' mission is to ensure Virginia's Medicaid enrollees receive high-quality and cost-effective health care.

Medicaid plays a critical role in the lives of more than a million Virginians. Medicaid enrollees include children, pregnant women, parents and care takers, older adults and individuals with disabilities. Virginians must meet income thresholds and other eligibility criteria before qualifying to receive Medicaid benefits.

Medicaid covers primary and specialty health care, inpatient care, and behavioral health and addiction and recovery treatment services. Medicaid also covers long-term services and supports, making it possible for thousands of Virginians to remain in their homes or to access residential and nursing home care.

Quick Medicaid facts:

- Covers 1 in 8 Virginians
- Covers 1 in 3 births and 33% of children
- Supports 2 in 3 nursing facility residents

Virginia Medicaid and Children's Health Insurance Program (CHIP) are administered by the Department of Medical Assistance Services (DMAS) and are jointly funded by Virginia and the federal government under the Title XIX and Title XXI of the Social Security Act. Virginia generally receives $1 of federal matching funds for every $1 Virginia spends on Medicaid.

DMAS has collaborated closely with the CMS representatives and a CMS sponsored state cohort group on the MES procurements and implementations. DMAS has been actively involved in CMS sponsored workgroups to assist the Agency in proactively aligning with CMS goals toward certification of the new MES solutions, which is a requirement to receive enhanced funding.

Transformation to a Modern Medicaid Program

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

- Providing services to populations that are shifting from a smaller percentage Fee-For-Service model to a higher percentage of a Managed Care model
- Providing a customer-centric services environment
- Creating the ability to measure performance of programs in order to adjust for better results
- Creating environments that can be monitored for fraud and abuse incidents through algorithms and analytics
- Promoting an environment that fosters DMAS' focus on servicing customers rather than 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 plans
- Creating an environment that leverages state and federal opportunities 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 configuration of commercial off-the-shelf (COTS) and software as a service (SaaS) or Cloud-based solutions with advanced security solutions; and
- Utilizing an Integration Services vendor to keep solutions loosely coupled for easier disengagement at the end of contracts. This also allows for modular replacements without having to replace entire systems.

MES Implemented Solutions Summary

The first module, the Encounter Processing Solution (EPS), was implemented on September 6, 2017. Processing for Commonwealth Coordinated Care (CCC) Plus, Non-emergency Medical Transportation (NEMT), and Medallion 3.0 Pharmacy services encounters was migrated to EPS in 2017. Encounters for Dental services for CCC Plus were added in April, 2018. In August 2018, the Medallion 4.0 MCOs started submitting encounters to EPS. As of August 31, 2018, over 24,500,000 claims have been processed. Virginia is in the process of sharing this very successful solution with the State of North Carolina in the CMS spirit of "reuse." CMS is requiring states that use federal funding to seek opportunities to share projects that utilized enhanced funding with other states. Virginia has provided the COTS configured solution to North Carolina Medicaid. EPS will begin processing Consumer-Directed encounters from the new Federal/Employer Agent (F/EA) for services beginning January 1, 2019.

The Pharmacy Benefits Management Solution (PBMS) is the MES module responsible for providing comprehensive pharmacy services including pharmacy claims adjudication, drug rebate invoicing and drug utilization review (DUR). The module went live October 2017. PBMS has expanded functionality to include electronic Prior Authorizations submission for medications, access to laboratory data, and transparent real time quality monitoring. The PBMS is a highly configurable, rules-based, table-driven system, which enables complex Medicaid plan benefit changes to be made quickly without major coding changes.

The PBMS contract includes several enhanced services such as Enhanced Third Party Liability (eTPL) which has helped the Commonwealth by identifying unreported primary insurance for fee-for-service members; ePrescribing allowing prescribers to submit prescriptions electronically, minimizing errors associated with written prescriptions; and specialty drug management.

The third project under our Financial Services module was the Oracle Financials upgrade to version 12.2 implemented in November 2017. This upgrade allows for the latest product functional capabilities and eliminates some past

customizations. The on-premise (CESC hosted) solution will consider migration to the Oracle Cloud at some point in the future.

MES Active Projects Summary

In September of 2018, DMAS awarded the Enterprise Data Warehouse Solution (EDWS) to Optum. The EDWS will provide for Agency data analytics across all data sources; Fraud and Abuse reporting; as well as Federal Reporting to CMS. Since September 2018, Optum has been converting data from the MMIS and building platforms. Recently, the User Acceptance Testing for converting Member data was completed. Conversion of Provider data and Claims data are underway.

In January 2018, DMAS awarded the Operations Services Solution and the Plan Management Services Solution (OPSS/PLMS) to Accenture, LLC. These projects run concurrently due to the close dependencies of the software. OPSS/PLMS have completed requirements validations, completed Conference Room Pilot design sessions, and the configurations known as "Playbooks", are in reviews. A final acceptance of the system design is targeted for December 2018. The solution implementation target date is December 2019.

The Integration Services Solution (ISS) project was awarded to Deloitte, Inc. The project was kicked off in March of 2018. ISS is the backbone of the MES environment and its key responsibilities are Standardized Data Exchanges between MES modules, Single Sign-on for MES modules, and Enterprise Governance and Change Control, a contract to manage the environment. The ISS Vendor has established a Managed File Transfer solution, is beta testing the Single Sign-on, and has established a regular cadence of meetings for Enterprise Risk Management and Enterprise Change Management. MES modules are participating in the ISS vendor building of a Master Implementation Schedule that includes all integration points.

DMAS awarded the Provider Services Solution (PRSS) to DXC in June of 2018. An option for an Appeals Solution was also awarded under the same contract. Provider Services and Appeals are in Project Planning phases. A target date for Implementation of PRSS is December 2019.

MES Procurements Summary

DMAS has awarded contracts for Data Warehouse, Integration Services, Provider Services, Operation Services, Plan Management, and Pharmacy Benefit Management. The Financial Management Solution RFP, the Performance Management RFP (part of Modular Core) and the Care Management RFP (part of Modular Core) were terminated for various reasons. DMAS revisited these RFPs due to scope of work changes. There remains one new procurement associated with the MES. Through market responses and awards, DMAS has determined that a Payment Processing Management Solution (PPMS) is required. An appropriate procurement process is being determined for the PPMS.

MES Independent Verification and Validation (IV&V) Activities

As required by CMS, DMAS has engaged an Independent Verification and Validation (IV&V) contractor, Ernst & Young (EY), to conduct MES Program Governance oversight through quarterly Progress Reports and Certification Milestone Reviews. The first Report on Project Initiation (R1) required for each module to be completed in January 2017. In a modular certification process, an R2 Operational Readiness Milestone Report for the EPS and the PBMS was completed in July 2018. The R3 Certification Readiness Milestone Report is in progress for EPS and PBMS. CMS will conduct final certifications for these two modules onsite in September 2018.

Virginia's Medicaid Enterprise System Strategy

The Virginia MES will still consist of a modular architecture, pertaining to major business areas. The ISS vendor will incorporate these loosely coupled modular systems into a cohesive MES. An Enterprise environment uses the secure integration vehicle through which all communication and data exchanges flow. The loosely coupled design will allow DMAS easier adaptability to future innovations. The table on the next page reflects the business process areas supported by the MES.

MES Project Milestones Summary Update

MES PROJECT	MILESTONES	DATES
Financial Management Solution (FMS)	Received RFP Responses	8/2016
	Issued the RFP Cancellation Notice	10/25/2016
Payment Processing Management Solution (PPMS)	In Process	

MES PROJECT	MILESTONES	DATES
Pharmacy Benefit Management Solution (PBMS) - Complete	Conduct Orals and Presentations	9/2016
	Complete Evaluations/*NOIA	3/11/2017
	Award Contract	3/21/2017
	Project Planning & Initiation	4/01/2017
	Project Execution and Control	6/1/2017 – 9/30/2017
	Implementation	10/2017
	Post Implementation/Certification Readiness	10/2017 – 9/2018

MES PROJECT	MILESTONES	REVISED DATES
Integrated Services Solution (ISS)	Conduct Orals and Presentations	9/2016
	Complete Evaluations/*NOIA	9/2017
	Award Contract	9/2017
	Project Planning & Initiation	10/2017 – 2/2018
	Project Execution and Control	03/2018 – 11/2019
	Implementation	12/2019
	Post Implementation	12/2019 – 6/2020

MES PROJECT	MILESTONES	REVISED DATES
Enterprise Data Warehouse Solution (EDWS)	Conduct Orals and Presentations	10/2016
	Complete Evaluations/*NOIA	9/2017
	Award Contract	9/2017
	Project Planning & Initiation	10/2017 – 2/2018
	Project Execution and Control	3/2018 – 11/2019
	Implementation	12/2019
	Post Implementation/Certification Readiness	12/2019 – 6/2020

MES PROJECT	MILESTONES	REVISED DATES
Modular Core Services Solution (MCSS)	Conduct Orals and Presentations	10/2016
• **Operations Services Solution**	Complete Evaluations/*NOIA	9/2017
• **Plan Management Services Solution**	Award Contract	9/2017
• **Provider Services Solution**	Project Planning & Initiation	10/2017 – 2/2018
• **Care Management – In house solution**	Project Execution and Control	03/2018 – 11/2019
	Implementation	12/2019
	Post Implementation/Certification Readiness	12/2019 – 6/2020

MES PROJECT	MILESTONES	REVISED DATES
Encounter Processing Solution (EPS) – Completed Phase 1 and 2	Project Planning & Initiation	7/2016 – 9/2016
	Project Execution and Control	10/2016 – 8/2017
	Implementation – Phase 1	9/2017
	Post Implementation/Certification Readiness	10/2017 – 9/2018
	Project Planning & Initiation Phase 2	7/2017 – 10/2017
	Project Execution and Control Phase 2	11/2017 – 8/2018
	Implementation Phase 2	8/2018

	Post Implementation Phase 2	9/2018 – 10/2018
	Project Planning & Initiation Phase 3	9/2018 – 12/2018
	Project Execution and Control Phase 3	1/2019 – 7/2019
	Implementation Phase 3	7/2019
	Post Implementation Phase 3	8/2019 – 12/2019

* NOIA – Notice of Intent to Award

MES Program/Project Status Summary

The modernization to a Virginia MES is consistent with CMS' and Virginia's vision for a modular solution. The MES program currently consists of two (2) completed MES projects (EPS and PBMS), six (6) active MES projects (Data Warehouse, Integration Services, Operation Services, Plan Management, Provider Services, and Appeals), and one (1) Payment Processing Management Solution that will lead to a project. The uncoupling of the monolithic MMIS into separate MES solutions (and suppliers) occurs through multiple projects with Agency strategic decisions made throughout the journey. This staggered implementation approach will result in transitioning to the new MES environment while minimizing risks with smaller implementation efforts. The Agency will continue to refine the transformation strategy based on costs, maturity of solutions, and alignment of Information Technology solutions that best meet the Agency's current and future needs while complying with CMS Certification requirements. Compliance with State and Federal Information Technology Security requirements are included in the MES Program.

Fiscal Impact

Since 2017, the General Assembly has provided annual funding to replace the MMIS with a new MES. Design, development and implementation costs qualify for an enhanced federal match rate of 90 percent, when approved by CMS. Operation and maintenance costs qualify for 75 percent or 50 percent federal match rate once a solution module moves out of the design, development and implementation phase and into operation. Over the prior Biennium (2016-2018), total expenses for the design and development phases of the project totaled $4,748,202 general funds ($42,351,662 non-general funds). The majority of contracts have been finalized resulting in an increase in spending expected in the current biennium. DMAS estimates the cost to replace the MMIS will be $7,265,834 general funds ($64,568,351 non-general funds) in 2019 and $5,041,168 general funds ($44,804,612 non-general funds) in 2020. Based on these estimates, additional funding above what was provided for in the 2018 Appropriation Act will be necessary and was requested through the budget process.