COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

KAREN KIMSEY
DIRECTOR

SUITE 1300
600 EAST BROAD STREET
RICHMOND, VA 23219
804/786-7933
804/343-0634 (TDD)
www.dmas.virginia.gov

March 17, 2021

MEMORANDUM

TO: The Honorable Janet D. Howell
Chairman, Senate Finance and Appropriations Committee

The Honorable Luke E. Torian
Chairman, House Appropriations Committee

Daniel Timberlake
Director, Department of Planning and Budget

FROM: Karen Kimsey
Director, Virginia Department of Medical Assistance Services

SUBJECT: Annual Progress Report on the Replacement of the Medicaid Management Information System due December 1, 2020

This report is submitted in compliance with Item 317.Q.3. of the 2020 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.

KEK/
Enclosure

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

Annual Progress Report on the Replacement of the Medicaid Management Information System

A Report to the Virginia General Assembly

December 1, 2020

Report Mandate:

Item 317 Q3 of the 2020 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."

Executive Summary

In 2016, the Virginia Department of Medical Assistance Services (DMAS) embarked on a path to replace its aging Medicaid Management Information System (MMIS) with a modern, modular Medicaid Enterprise Solution (MES), pursuant to new standards set forth by the Centers for Medicare and Medicaid Services (CMS).[1] The new MES seeks to improve the Commonwealth's development agility while meeting the rising demand for new services and increased access for its citizens.

Since 2016, substantial progress has been made in the program's overall trajectory. The MES modular approach has afforded the Commonwealth the ability to implement portions of the overall solution as each satisfies the requirements set forth in the request for proposal (RFP) and are fully tested**.** Four modules have been successfully implemented in the DMAS production environment to date, further increasing the program's ability to provide Virginians with access to high-quality health care coverage. Of those four modules, the Encounter Processing System (EPS) module in particular has garnered national attention for its innovation and ability to process mass quantities of data, assisting the program with the management of the Managed Care Plans which help to serve the majority of our Members.

In late 2019, however, the MES program encountered significant challenges with the Operations Services Solution (OPSS) and Plan Management Solution (PLMS). As a result, DMAS executed a contingency plan and switched primary vendors. This transition necessitated a re-baselining of the MES project timeline. . .

The contingency plan required DMAS to integrate the current MMIS into the planned MES modular framework. This work is referred to as the "Core

About DMAS and Medicaid

DMAS's mission is to improve the health and well-being of Virginians through access to high-quality health care coverage.

DMAS administers Virginia's Medicaid and CHIP programs for more than 1.6M Virginians. Members have access to primary and specialty health services, inpatient care, behavioral health as well as addiction and recovery treatment services. In addition, Medicaid long-term services and supports enable thousands of Virginians to remain in their homes or to access residential and nursing home care.

Medicaid members historically have included children, pregnant women, parents and caretakers, older adults, and individuals with disabilities. In 2019, Virginia expanded the Medicaid eligibility rules to make health care coverage available to more than 400,000 newly eligible, low-income adults.

Medicaid and CHIP (known in Virginia as Family Access to Medical Insurance Security, or FAMIS) are jointly funded by Virginia and the federal government under Title XIX and Title XXI of the Social Security Act. Virginia generally receives a dollar-for-dollar federal spending match in the Medicaid program. Medicaid expansion qualifies the Commonwealth for a federal funding match of no less than 90 percent for newly eligible adults, generating cost savings that benefit the overall state budget.

[1] *The standards and conditions for implementing Medicaid information technology (IT) require states to use a modular approach for systems development. Reference: CMS Final Rule, 80 FR 75817 - Medicaid Program; Mechanized Claims Processing and Information Retrieval Systems.*

Contingency." DMAS has worked closely with CMS throughout this change to the MES program to ensure compliance with regulatory requirements and secure the necessary federal funding that had previously been granted. DMAS is also working closely with the Virginia Information Technologies Agency's (VITA) Project Management Division (PMD) as the program undergoes a process to realign its scope and schedule, and redefine program costs.

Due to the changes described above, the following modules will make up the MES system, along with the Core Contingency: Encounter Processing Solution (EPS); Pharmacy Benefit Management Solution (PBMS); Enterprise Data Warehouse Solution (EDWS); Integration Services Solution (ISS); Provider Services Solution (PRSS); Care Management Solution (CRMS); and Appeals (APLS).

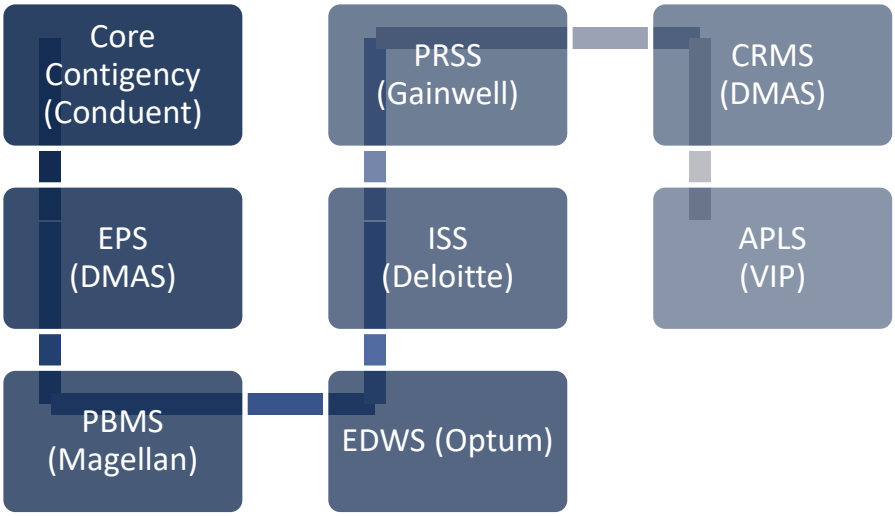


Figure 1: MES modules and corresponding vendor leads. EPS and CRMS are developed "in-house" by DMAS.

Implementation Status

As the MES program is developed, each module's work is split into a Design, Development, and Implementation (DDI) phase and an Operations and Maintenance (O&M) phase once in production. Four modules are currently in the O&M phase, having gone live in their respective production environments. These include: EPS, PBMS, ISS, and EDWS. Four others are actively being steered to completion, and are currently in the DDI phase of the Software Development Life Cycle (SDLC).[2] These include: Core Contingency (MMIS), CRMS, PRSS, and APLS.

Operational Modules

EPS was implemented in September 2017 and certified by CMS in September 2018.[3] This module was developed by DMAS. As of October 30, 2020, over 177,975,000 encounters have been processed using EPS.[4] Additionally, EPS began processing Consumer-Directed encounters from the new Fiscal Employer Agent (FEA) Consumer Directed Care Network (CDCN) for services beginning January 1, 2019. In compliance with the 21st Century Cures Act, EPS also implemented

[2] Comprising the agency's Project Management Life Cycle (PMLC).
[3] The CMS certification process contains four life cycle phases and three types of certification milestone reviews. It ensures that applicable Medicaid Information Technology (IT) initiatives meet all federal requirements and satisfy objectives set forth in the state's Advanced Planning Documents (APDs).
[4] An encounter refers to any episode of care in which a Medicaid member sees a qualified provider and submits a claim for that visit.

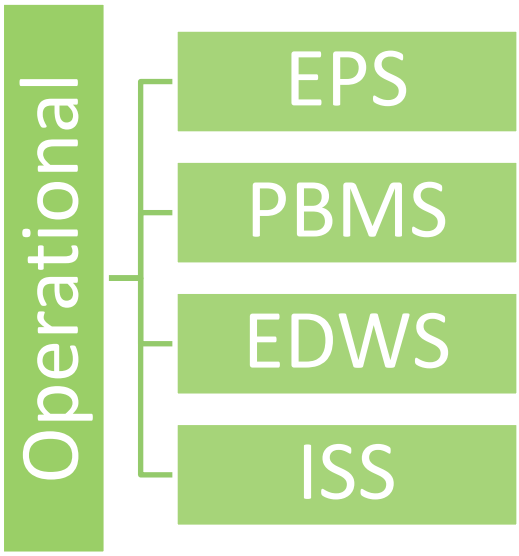


Figure 2: MES modules currently in the O&M phase.

Electronic Visit Verification (EVV) rules into the solution. Virginia has shared this solution with North Carolina's Medicaid agency in the CMS spirit of "reuse." Virginia's development enabled North Carolina to implement the solution more quickly and cost effectively than if they had started without any solution.

PBMS, the module responsible for providing comprehensive pharmacy services including pharmacy claims adjudication, drug rebate invoicing, and drug utilization reviews, went live in October 2017 and was certified by CMS in December 2018. Since then, the PBMS vendor, Magellan has expanded the module's functionality to include electronic "Prior Authorizations" submissions for medications, access to laboratory data, and transparent real time quality monitoring. The PBMS module is a highly configurable, rules-based, table-driven system, which enables complex Medicaid plan benefit changes to be made quickly without major coding changes. This feature was evident in its ability to accommodate changes as a result of Medicaid Expansion in January 2019.

ISS is the backbone of the MES environment, and as of September 2020, has entered into its operational phase. Key activities falling within the ISS are Standardized Data Exchanges between MES modules, Single Sign-On (SSO) capabilities, Enterprise Governance and Change Control, and an Electronic Data Interchange (EDI) gateway for all healthcare business-to-business transactions. The ISS vendor, Deloitte, is now working with all the MES vendors to complete the remaining MES Integration.

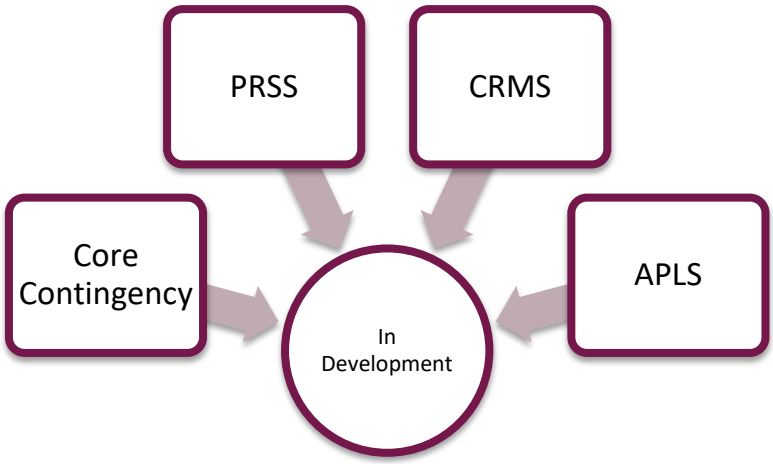
EDWS concluded several successful staggered implementations in 2019. First, 10-years' worth of MMIS data for Provider, Claims, Member, and Reference materials were made available for analytics. Additionally, the Fraud and Abuse Detection System (FADS) was implemented with Single Sign-On capability in April 2019. In October 2019, Phase 1 of EDWS was fully implemented in production, beginning the Operational phase of the contract, and is now in the second year of Operations. EDWS Phase 3 – Advanced Analytics, which includes dedicated data marts and integration of additional data sources, has been completed and implemented as of June 2020. DMAS is working with Optum to prioritize Phase 3 ahead of Phase 2 due to the change in the overall MES timelines. Currently, EDWS is adding on additional capabilities and is working with the ISS vendor to complete the MES Integration which will conclude the EDWS Phase 2.

Modules in Development

As previously mentioned, DMAS has initiated the MES Core Contingency effort, and has extended the existing MMIS contract with Conduent for an additional two years until June 2022, with an optional one-year extension to June 2023. As part of Core Contingency, Conduent will continue to manage Claims Processing, Member Management, Financial Processing and Management, and handling of the Reference system. Conduent has started working with the MES vendors to begin the integration work. DMAS is actively working to produce a re-baselined program schedule with a revised go-live date.

DMAS awarded the PRSS contract to "DXC" in June 2018 (as of October 2020 DXC is now "Gainwell Technologies").

Figure 3: MES modules currently in development.



PRSS includes Provider screening and enrollment, as well as Provider maintenance capabilities. A provider portal will allow for self service and data access. PRSS implementation is progressing well; the project is also being re-baselined due to the Core Contingency.

The CRMS module is being developed "in-house" utilizing the EPS platform. CRMS will allow for the exchange of data between DMAS and the Managed Care Plans which will provide for better communication. In addition, DMAS will have more robust analytics for conducting quality oversight of the Plans. Certain components of the CRMS solution have already been implemented, such as the Interdisciplinary Care Plans (ICP), and Health Risk Assessments (HRA). Inbound interfaces for Medical and Pharmacy Service Authorizations (SA) are currently in the testing phase, while additional components/ functions, such as Electronic Pre-Admission Screening (ePAS) and Level of Care Eligibility Review Instrument (LOCERI) are actively being designed and developed.

DMAS awarded the APLS solution to Visionary Integration Professionals (VIP). This module is currently in the final stages of development and implementation. This system is scheduled to go live in March 2021. The system will allow members and providers to submit and manage appeals electronically and provide the DMAS Appeals Division with an automated workflow.

At the conclusion of the remaining modular DDI, Deloitte will continue collaborating with all MES vendors to complete the pending MES integration activities for ISS. Although much work lies ahead to complete development and integration activities, the agency has made substantial progress and navigated through numerous challenges since the path to MES began in 2016.

Project Expenditures

CMS and the Commonwealth share in the funding of MES-related development and operational expenditures for each of the identified modules. For instance, DDI activities qualify for enhanced funding from CMS, which ranges from seventy-five percent (75%) to ninety percent (90%). O&M expenditures are funded at seventy-five percent (75%) once a component is fully operational and has been certified by CMS.[5]

Since 2017, the General Assembly has provided annual funding to replace the MMIS with a new modular MES. Total expenses in State Fiscal Year (SFY) 2020 for the design and development phases of the project totaled $33,665,749 ($3,556,802 general funds and $30,108,947 federal funds). The majority of DDI work will be completed by the end of SFY 2022 followed by a shift into the operational phase.

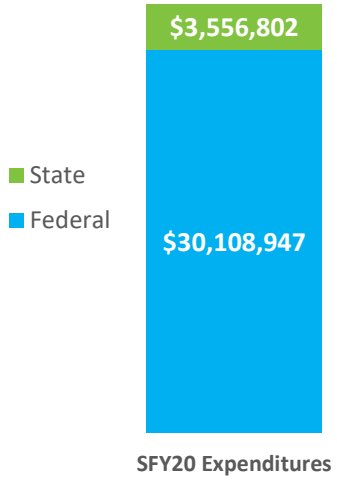


Figure 4: SFY20 Expenditures across Federal Funds and State General Funds.

[5] The O&M pre-certified costs qualify for a fifty percent (50%) federal match rate until certification when the federal match rate is approved retroactively to seventy-five percent (75%).

Future Milestones

The MES program is currently undergoing a process to realign its scope and schedule, and redefine program costs. As of November 2020, scope has been confirmed for Core Contingency, PRSS, Single Sign-On, and Network integration items. DMAS has identified business and module impacts, reviewed impacts with vendors, and documented requirements. Design clarification meetings are progressing, with detailed scope statements for each module forthcoming and remaining items clarified and documented.

Future milestones, dependencies, activity sequencing, and critical path tasks and milestones will be available at the conclusion of the agency's efforts to produce an Integrated Master Schedule (IMS). DMAS is conducting a comprehensive impact assessment to develop a phased programmatic implementation approach, drafting modular plans, identifying/negotiating dependencies, and working to finalize a fully re-baselined schedule.

DMAS will then analyze the redefined scope and schedule to assess and reaffirm costs. This may include drafting, negotiating, and finalizing contract modifications as needed, as well as securing CMS approval for any contract action. CMS has a 60-day window for approval (if needed) in order for DMAS to execute final vendor contract modifications.

The Commonwealth, along with its suppliers and external partners, looks forward to continued collaboration with the common aim of delivering a successful, fully functional MES that supports the DMAS mission to improve the health and well-being of Virginians through access to high quality health care coverage.