Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Memorandum

Room 029 State Capitol, Denver, CO 80203-1784
Phone: (303) 866-3521 • Fax: (303) 866-3855
lcs.ga@state.co.us • leg.colorado.gov/lcs

February 11, 2022

TO: Joint Technology Committee Members

FROM: Luisa Altmann, Senior Research Analyst, 303-866-3518
Joint Technology Committee Staff

SUBJECT: JTC Staff Analysis of JBC-Referred FY 2022-23 Operating Budget Request
Colorado Department of Health Care Policy and Financing
R-14 MMIS Funding Adjustment and Contractor Conversion

Summary of Request

The Colorado Department of Health Care Policy and Financing (HCPF) is requesting a one-time reduction to its FY 2022-23 appropriation to more accurately reflect current costs associated with operating the overall system and current federal match rates. The department is also requesting to convert the Services Integrator contractor funding into 5.0 state FTE and add 8.0 FTE to address gaps in operating and management for current and upcoming modular re-procurements. The Joint Budget Committee (JBC) has asked the Joint Technology Committee (JTC) to provide a technical review of this request.

Additional background on this request can be found in the staff issue that begins on page 71 of the JBC Staff Briefing document from December 3, 2021, which is provided as an attachment.[1] Responses the department provided to JTC staff questions are also provided as an attachment.

Request Details

MMIS appropriation rebalance. The department is requesting a one-time reduction of $56,079,142 total funds, including a reduction of $10,347,479 General Fund, in FY 2022-23 in order to true-up the MMIS Long Bill line item. The department is also requesting a permanent General Fund decrease in the MMIS appropriation ongoing. The MMIS line item is used to fund all services within the Medicaid Enterprise outside of the Colorado Benefits Management System (CBMS), which include:

- the Medicaid Management Information System (MMIS), or Colorado interchange, which supports the core MMIS functions (e.g., claims processing) and Fiscal Agent services;

[1] https://leg.colorado.gov/sites/default/files/fy2022-23_hcpbrf.pdf.

- the Business Intelligence and Data Management (BIDM) system, which provides data analytics services; and
- the Pharmacy Benefit Management System (PBMS), which provides pharmacy management services.

According to the department, this reduction in the MMIS appropriation is needed for the following reasons, which have led to the department consistently underspending the MMIS appropriation in recent years:

1. several MMIS projects have come in under budget in recent years;
2. the department has negotiated savings with MMIS contractors;
3. the department has combined projects or used different solutions that were more efficient and associated project costs were lower than originally estimated; and
4. the department has leveraged better federal financial participation (FFP) match rates, thereby reducing the General Fund impact.

Services Integrator contractor conversion. The department is requesting a conversion of the Services Integrator contract funding to 5.0 state FTE, including four analysts and one project manager. According to the department, the Services Integration work ensures that the numerous modules provided by different vendors in the Medicaid Enterprise are fully integrated and interoperable. The department received funding for Services Integration work to be performed by a contractor beginning in FY 2019-20, but is requesting to convert these resources to state FTE to perform these functions instead to help the department align with the Centers for Medicare & Medicaid (CMS) re-procurement process. According to the department, the department needs dedicated staff who are familiar with the Medicaid system to be able to fully translate and appropriately prioritize department policy and practices into system changes.

Modular re-procurement resources. Finally, the department is requesting funding to add the following 8.0 FTE to help the department meet CMS regulations that requires the re-procurement or re-evaluation of vendors on a modular timeline instead of all components being re-procured simultaneously:

- 2.0 FTE to supplement the department's current Advanced Planning Documents (APDs) team, which manages the APDs that the state submits to CMS in order to receive enhanced federal funding to support new eligibility and enrollment system builds and the maintenance of operations of these systems that meet certain standards and conditions, the number of which has grown from 10 APDs last year to 23 APDs now with new CMS modular re-procurement rules;
- 2.0 FTE to serve as business analysts to support the Electronic Visit Verification (EVV) system, which is a mandatory system that is used by more than 2,000 providers to verify that home or community-based service visits occur;
- 2.0 FTE to serve as contract managers for managing the increased contracts due to the shift towards modular re-procurement;
- 1.0 FTE to help gather technical requirements from subject matter experts and help execute and implement a new tool that comprehensively tracks the recoveries of overpayments for the department's current recoveries staff; and

- 1.0 FTE to serve as dedicated system development support for complying with mandatory federal expenditure reports.

Options for Committee Action

The JTC has three options for committee action when it provides a technical review of an operating budget request to the JBC. The JTC can:

- recommend the request to the JBC for funding with no concerns;
- recommend the request to the JBC for funding with concerns; or
- not recommend the request for funding with concerns.

COLORADO
Department of Health Care Policy & Financing

1570 Grant Street
Denver, CO 80203

January 21, 2022

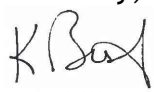
The Honorable Brianna Titone
Joint Technology Committee
Colorado General Assembly
200 E. Colfax Avenue
Denver, CO 80203

Dear Representative Titone:

Enclosed please find the Department of Health Care Policy & Financing's responses to questions from the Joint Technology Committee regarding the R-14 MMIS Funding Adjustment and Contractor Conversion operating budget request for FY 2022-23.

If you require further information or have additional questions, please contact the Department's Legislative Liaison, Jo Donlin at Jo.Donlin@state.co.us.

Sincerely,



Kim Bimestefer
Executive Director

Enclosure(s): The Department of Health Care Policy & Financing's responses to Joint Technology Committee questions on R-14.

cc: Senator Jeff Bridges, Vice Chair, Joint Technology Committee
Representative Mark Baisley, Joint Technology Committee
Representative Tracey Bernett, Joint Technology Committee
Senator Chris Kolker, Joint Technology Committee
Senator Kevin Priola, Joint Technology Committee

Tracy Johnson, Medicaid Director, HCPF
Bonnie Silva, Community Living Interim Office Director, HCPF

Tom Massey, Policy, Communications, and Administration Office Director, HCPF Anne Saumur, Cost Control Office Director, HCPF
Bettina Schneider, Finance Office Director, HCPF
Parrish Steinbrecher, Health Information Office Director, HCPF Rachel Reiter, External Relations Division Director, HCPF
Jo Donlin, Legislative Liaison, HCPF

Joint Technology Committee (JTC) Staff Questions
Please respond by Friday, January 21, 2022
to: jtc.ga@state.co.us

1. The Colorado Department Health Care Policy & Financing (HCPF), FY 2022-23, MMIS Funding Adjustment and Contractor Conversion, operating budget request (budget request), explains that the Centers for Medicare and Medicaid (CMS) requirements are data flow between a well-designed modular system architecture and trends away from large, single-system implementations.

    a. Regarding the modular re-procurement model, is creating interoperable modules a CMS mandatory requirement or a recommendation? Are there any CMS penalties if a department chooses to keep its existing large, single-system?

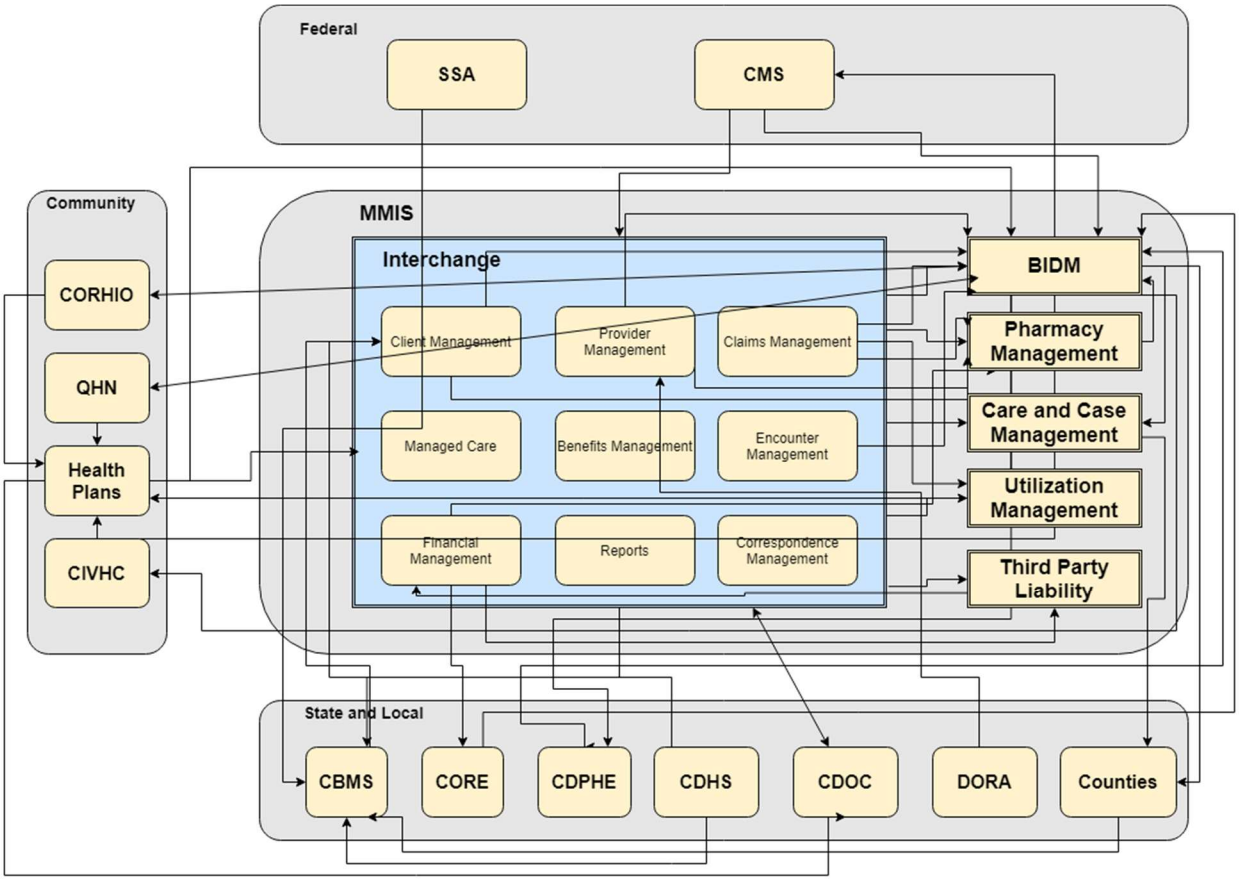
Response: As described in 42 CFR § 433.112 - Federal Financial Participation for design, development, installation or enhancement of mechanized processing and information retrieval systems FFP is available at the 90 percent rate in State expenditures for the design, development, installation, or enhancement of a mechanized claims processing and information retrieval system only if the Advance Planning Document (APD) that the state submits to receive enhanced federal matching funds is approved by CMS prior to the State's expenditure of funds. CMS will approve the claims system described in an APD if certain conditions are met. One of the conditions to receive enhanced federal match is that a system must use a modular, flexible approach to systems development.

The Department does not currently have a single system, the three main modules of the current Medicaid Enterprise Systems (MES) are the Colorado interChange, also known as the Medicaid Management Information System (MMIS), the Business Intelligence Data Management system (BIDM), and the Pharmacy Benefits Management System (PBMS). CMS will not approve or provide enhanced federal match funding to the Department without modular design.

    b. Please summarize the current system design (e.g., modular), any supporting technical information, and the department's design recommendations for the existing: (1) Medicaid Management Information System (MMIS) and the Colorado interChange MMIS supporting functions; (2) Fiscal Agent services; and the (3) Business Intelligence and Data Management system (BIDM);

Response: The current Medicaid Enterprise System Architecture comprises three main systems that encompasses most of the Medicaid functionality. The Interchange System embeds most of the business functionality, such as Member Management, Provider Management, Claims Management, Managed Care, Benefits Management, and Financial Management. The Interchange System (MMIS) interfaces with the Pharmacy Benefits System (PBMS) and the Business Intelligence and Data Management (BIDM) System. There are more than 200 interfaces within the Medicaid Enterprise Systems, which are made up of either individual file exchanges or Electronic Data Interfaces (claims processing).

Below is a high-level illustration of the current environment.



A summary of the Department's design recommendations for the existing: (1) Medicaid Management Information System (MMIS) and the Colorado interChange MMIS supporting functions; (2) Fiscal Agent services; and the (3) Business Intelligence and Data Management system (BIDM) will continue to expand on the current modular services approach. The future design will ensure the Medicaid Enterprise System is designed and optimized for its business domains.

This strategy will provide systems interoperability across internal and external partners. It will clearly define authoritative sources for each business domain, and by clearly defining system boundaries. The Medicaid Enterprise System will be closely aligned with the business operations and have the modularity to enable changing and replacing modules partially or in its entirety without impacting the whole system. A System Integration module will be implemented to connect to each of the existing modules, providing governance for aggregating the business domain data and transforming it into a standardized data model. This System Integration module will run on a platform that has a capability to connect to disparate data systems, ingest file inputs that are in X12 EDI format, as well as other flat file formats, and be able to create interfaces based on APIs.

c. Is the module architecture design in support of the agile methodology? Why or why not?

Response: The modular design is in support of the agile methodology. This design has the modularity to enable changing and replacing modules partially or in its entirety without impacting the whole system. The Department will create an agile technology architecture that can easily adapt to changing business requirements, and policy changes. Providing opportunities to innovate on top of the existing technology assets. Each module has its own product owner and backlog and the service integrator vendor the Department is currently procuring will collaborate with OIT and modular vendors to design and maintain the appropriate governance to manage multiple modules. This agile technology architecture can easily adapt to the business requirements, and policy changes and will lower the overall maintenance cost, while providing opportunities to innovate on top of the existing technology assets.

2. Will the business analysts, testers, and project manager employed to support existing technical solutions be employed under the Governor's Office of Information Technology (OIT)? If not, please provide the reason. Please also summarize OIT's involvement in maintaining these solutions, including the department's plan to comply with OIT best practices and standards for information technology (IT) security, system account management, disaster recovery, and IT procurement, including solicitation and vendor contracts.

Response: The Business Analysts, Testers, and Project Managers are employed by the Department of Health Care Policy and Financing (the Department). The Business Analysts and Testers for Medicaid services are primarily responsible for understanding the Medicaid and CHP+ program in addition to traditional Business Analyst and Tester roles to ensure that Medicaid and CHP+ policies that are implemented into the Department's MES meet program goals, without defects. In order to configure systems within required timelines, Business Analysts and Testers must have Medicaid and CHP+ experience. Experienced Department

Business Analysts and Testers reduce the number of defects in the production environments and have reduced the implementations of incorrect program policies. Implementing incorrect or missed policies pose significant harm to members and providers. Because the Department is not building systems from the ground up, but primarily configuring existing systems, the most important requirement for Business Analysts and Testers is to understand Medicaid and CHP+ complicated policies. Business Analysts and Testers that do not have the knowledge or experience in the Medicaid/CHP+ program add time and cost to the program.

The Project Managers are employed by the Department, for many of the same reasons. At the Department, Project Managers are in charge of not only the day-to-day project management, but also mitigating risk by understanding Medicaid Programs and vendor contract requirements, managing service levels in contracts, and escalation points within the Department to resolve issues quickly. The Department has an established Enterprise Project Management Office, that utilizes Microsoft Project Online to track, report, and manage all project tasks and also follows the Project Management Body of Knowledge (PMBOK) principals. Additionally, the Project Managers at the Department are tasked with writing the Advance Planning Documents (APD's) that CMS approves to receive enhanced federal match for MES projects, developing CMS required project outcomes and metrics for those projects, effectively managing multiple Department projects across the enterprise, as well as providing program, state and federal policy knowledge to guide the project from beginning to final CMS certification. It takes years to develop high performing Project Managers for the Department, and the Department has developed training programs and performance management processes that align with the Department's. The Business Analysts, Testers, and Project Manager have to collaborate in multiple meetings daily to support the certification process from CMS to ensure that the Department continues to receive enhanced funding.

The Department currently funds two dedicated security resources that report directly to OIT thereby ensuring that the Department is not only leveraging, but supporting OIT best practices and standards for IT security and disaster recovery. The Department procurement and contracts team collaborates with and follows the OIT procurement and contracts process and requirements. Additionally, the Department collaborates with OIT to obtain the Authority to Operate (ATO) for systems and approvals for vendor network/architectural security. Regarding system account management, OIT manages all network access and vendor architecture and network approvals, and all access requests into the state network. For vendor system access, the Department has established business workflows that govern those processes.

3. The budget request explains that "the department is unable to absorb or even start working on system changes due to changes in state and federal policy because of a lack of state resources available to manage and track projects." Please list the

active, high priority projects and indicate which are as a result of state or federal policy.

Response: Currently, the Department has 41 active projects, and 23 of the projects are mandated by either the State or Federal legislation. Other projects not mandated through legislation are cost savings measures, either through operational efficiencies or reimbursement methodology changes.

Change Request #	Mandate by State/Federal/ Department	Change Request Title	Target Fiscal Year Implementation (Yr-Qtr)
45011	Federal	Override Existing Member Eligibility Spans - Public Health Emergency (PHE) must end	TBD
48359	Federal	Accept, Process, and Story Qty Prescribed in the 4.2 Pharmacy National Council for Prescription Drug Program file (MMIS/BIDM)	2021-22 Q4
49917	Federal	Extract Medicare Buy-in File and submit to CBMS (MMIS and CBMS)	2021-22 Q3
43330	Federal	DME/Oxygen Reimbursement based on Member Location	2021-22 Q4
45175	Federal	Prorate Reimbursement for Partial Eligible clients	2021-22 Q4
48312P1	Federal	Provider Licensing - Phase 1	2021-22 Q3
48312P2	Federal	Provider Licensing - Phase 2	2021-22 Q4

49825	Federal	Third Party Liability (TPL) Coverage Types and Claims Processing (TPL and MMIS)	2022-23 Q1
49595	Federal	Electronic Visit & Verification (EVV) Provider Editing Enhancements / COTS product maintenance updates	TBD
50629	State	Inpatient Hospital Review Program (IHRP)	TBD
47997	State	In-Home Dialysis Regional Payment Rates	2022-23 Q1
43241	State	Multi-Factor Authentication for the Portal and interChange User Interface (Policy/3rd Party Dependency); Modular COTS (EVV & Care/Case Management)	TBD
45174	State	Managed Care Encounter Claims Updates for Manual Pricing and New Lab-Radiology Duplicate Audit	2022-23 Q1
48080	State	Case and Care Management Tool Implementation	2021-22 Q4
48116P4	State	Home & Community Based Services (HCBS) Denver County Pricing for MMIS (Phase IV - Bridge/Non-CDASS)	TBD
48518	State	HCBS Streamline Eligibility (CBMS, iC and CCM)	2021-22 Q4

49121	State	Onboard CO Dept of Revenue to interChange Vendor Intercept Process	TBD
50252	State	Telemedicine Provider Specialty Type	2021-22 Q3
50627	State	SB21-009 - Reproductive Health for Undocumented Coloradoans	2021-22 Q4
TBD	State	SB21-025 - Family Planning for Eligible Coloradoans	TBD
TBD	State	SB21-194 - Mental Health for Postpartum	TBD
Audits	State/Federal	Audit requests (research and enhancements based on findings)	Continuously
Transmittals	State/Federal	Agile Projects: Benefit Changes to Medicaid/CHP. Incorporate CDHS's Behavioral Health	Continuously

JOINT BUDGET COMMITTEE

STAFF BUDGET BRIEFING
FY 2022-23

DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

JBC WORKING DOCUMENT - SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

PREPARED BY:
ROBIN J. SMART, JBC STAFF
ERIC KURTZ, JBC STAFF
DECEMBER 3, 2021

JOINT BUDGET COMMITTEE STAFF
200 E. 14TH AVENUE, 3RD FLOOR • DENVER • COLORADO • 80203
TELEPHONE: (303) 866-2061 • TDD: (303) 866-3472
https://leg.colorado.gov/agencies/joint-budget-committee

ISSUE: MEDICAID MANAGEMENT INFORMATION SYSTEM (R14)

The Medicaid Enterprise consists of four components, including the Medicaid Management Information System, the Business Intelligence and Data Management system, the Pharmacy Benefit Management System, and the Colorado Benefits Management System (CBMS). Funding for all but CBMS is appropriated in the MMIS line item in the Long Bill. The Department currently utilizes contractors to manage each of the four components.

SUMMARY

- The Medicaid Enterprise includes four components, each providing separate services, including claims processing functions, data analytics, eligibility determination, and pharmacy and benefits management services. Each component is managed by a different contractor.
- New guidance from the Centers of Medicare and Medicaid Services (CMS) concerning the re-procurement or transition of vendors for information systems services moves towards interoperable module implementations, resulting in the increased importance of the integration of the four systems.
- The Department intends to shift towards utilizing state FTE as opposed to contractors to perform much of the ongoing integration and requires additional FTE to handle the increased workload associated with the re-procurement expectations for each module.

RECOMMENDATION

In consultation with JBC staff for Information Technology Projects and Joint Technology Committee (JTC) staff, staff recommends that the Committee refer this request to the Joint Technology Committee (JTC), pursuant to Joint Rule 45(b).

Staff recommends that this request remain for consideration in the operating budget as submitted; however, staff requests a JTC review and recommendation as an IT-related operating request item. Staff additionally recommends potential JTC progress tracking or oversight as determined by the JTC.

JBC staff for Information Technology Projects will present this recommendation in a single document for Committee action at a later date.

In addition, JBC staff recommends that the JBC consider asking the Department to discuss its plan to transition away from contracted resources toward the utilization of state FTE, the timeline for completing the transition, and the contingency plan if the state FTE cannot be hired and trained by the targeted date(s).

DISCUSSION

In its FY 2022-23 R14 MMIS Funding Adjustment and Contractor Conversion budget request, the Department requests:

- A one-time reduction to its FY 2022-23 appropriation to accurately reflect current costs associated with operating the overall system and current federal match rates; and

- Reallocation of one-time reduction to increase Department staff by 8.0 FTE to address gaps in operation and management for current and upcoming Medicaid Enterprise modular re-procurements and for the maintenance and improvements of the electronic visit verification system; and
- Reallocation of Services Integrator contract funding to 5.0 permanent state FTE.

The reduction in necessary funding results from leveraging higher federal financial participation (FFP) match rates, combining several projects, negotiations with vendors for rate reductions, and collaborating with other states to obtain project scope and pricing insight. This portion of the Department's request will be discussed in greater detail during figure setting.

While mentioned briefly below, the request for 8.0 FTE to address issues related to modular re-procurements for the Medicaid Enterprise and for maintenance and improvements of the electronic visit verification will be further discussed during figure setting.

MEDICAID ENTERPRISE SERVICES INTEGRATION

The Medicaid Enterprise consists of the following:

- The Medicaid Management Information System (MMIS) which supports the core MMIS functions such as clams processing and Fiscal Agent services;
- The Business Intelligence and Data Management (BIDM) system which provides data analytics services;
- The Pharmacy Benefit Management System (PBMS) which provides pharmacy management services; and
- The Colorado Benefits Management System (CBMS) which provide eligibility determination services.

Funding for all but CBMS is appropriated in the MMIS appropriation in the Long Bill. Each of the four services is provided through separate contractors. As Centers for Medicare and Medicaid Services (CMS) guidance concerning the re-procurement or transition of vendors for information systems services moves towards interoperable module implementations, integration of the four systems increases in importance. Services Integration ensures that the numerous modules provided by different vendors in the Medicaid Enterprise are fully integrated and interoperable, with accurate and consistent communication and flow of data between modules, well-designed modular system architecture, and alignment with CMS requirements. The Department received funding to begin integration work in FY 2019-20.

Under the current contract structure, the Department is required to re-procure or re-evaluate each component on a modular timeline, resulting in the management of multiple procurements on different timelines and an increased workload. The Department indicates that it does not have sufficient staff to manage the contracts under the CMS modular re-procurement rules. In addition, while the Department states that several IT projects have come in under budget year after year, it argues that outside vendors are a less cost-effective way to meet the Department's goals for the administrative duties because they cost more than state FTE. The Department contends that:

- State FTE are better suited to manage the Medicaid Enterprise systematic benefit and policy rules from a federal and state regulatory compliance level;

- Transition from one vendor to another results in delays in completion of deliverables, but that this would not occur with state FTE;
- The continued use of contractor resources will require oversight and management by state FTE in order to ensure continuity of Medicaid and CHP+ rules on the forefront of every project;
- State FTE is necessary to ensure contractors understand workflow requirements; and
- State FTE typically cost less than paying an hourly rate for contracted work.

The 5.0 Service Integrator state FTE will be responsible for:

- Defining technical requirements on Medicaid Enterprise enhancement projects and interfacing with contractors to ensure the Department's business requirements are fulfilled;
- Leading the Department's services operations and other staff and coordinating the overseeing process adherence related to modular implementation activities;
- Coordinating all system testing efforts, providing process direction and assistance to Department staff and monitoring contractor testing performance;
- Overall testing of integrated services, testing of multiple modules across multiple services to ensure proper integration, and supporting all testing to ensure the service functions as designed before going into production; and
- Oversight of staff and comprehensive program and project oversight of the planning and execution of modular service projects across the Medicaid Enterprise, including communication, organizational change management, and risk management.

POINTS TO CONSIDER AND STAFF RECOMMENDATIONS

The Department's budget request includes several decision points, however, JBC staff focused on two aspects of the request in this briefing: 1) integration of the four components of the Medicaid Enterprise, and 2) the request for state FTE for this purpose.

SERVICE INTEGRATION

Integration of the four components into one "enterprise" system is complex. While JBC staff understands that the initial budget request to begin this process was approved in FY 2019-20, converting the project from contractor resources to state FTE with the added challenge of meeting new CMS guidelines requires a review by those with more technical expertise. In consultation with JBC staff for Information Technology Projects and Joint Technology Committee (JTC) staff, staff recommends that the Committee refer this request to the Joint Technology Committee (JTC), pursuant to Joint Rule 45(b).

Staff recommends that this request remain for consideration in the operating budget as submitted; however, staff requests a JTC review and recommendation as an IT-related operating request item. Staff additionally recommends potential JTC progress tracking or oversight as determined by the JTC.

JBC staff for Information Technology Projects will present this recommendation in a single document for Committee action at a later date.

STATE FTE

JBC staff does not necessarily disagree with the position of the Department concerning the cost of state FTE versus contracted resources, she is concerned about whether or not the Department will be able to successfully fill newly created positions in the current workforce environment and when

applicants can go to work for a contractor that offers a better total compensation package. In addition, she does not agree that the Department will not experience transition-related delays in deliverables with state FTE like they have when using contracted vendors. JBC staff is concerned for three reasons:

1) The Department reports an overall turnover rate of 9 percent and an overall vacancy rate of 12 percent, therefore turnover, hiring practices, and training needs will impact capacity to achieve deliverables;[8]
2) Applications per job decreased by 32 percent in state and local governments between 2019 and 2021; and
3) The quality of the received applications has also declined.[9]

JBC staff recommends that the JBC consider asking the Department to discuss its plan to transition away from contracted resources toward the utilization of state FTE, the timeline for completing the transition, and the contingency plan if the state FTE cannot be hired and trained by the targeted date(s).

[8] Department of Health Care Policy and Financing response to Joint Budget Committee's Request for Information (multiple departments) #1. Retrieved on November 30, 2021 from https://hcpf.colorado.gov/sites/hcpf/files/HCPF%20Common%20LRFI%20%231%20FTE%20vacancy%20and%20turnover%20rate.pdf

[9] Barrett, Katherine and Richard Greene. Route Fifty. "The Government Job Application Drop-off is 'Snow-balling.;" Retrieved on November 30, 2021 from https://www.route-fifty.com/health-human-services/2021/11/state-and-local-government-employment-application-drop-snowballing/186824/