

DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR

ACTION REFERRAL

TO <i>Supra</i>	DATE <i>6-24-13</i>
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DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER <i>000402</i>	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR <i>cc: Mr. Keck, Dep, CMS file</i>	<input type="checkbox"/> Prepare reply for appropriate signature DATE DUE _____
	<input type="checkbox"/> FOIA DATE DUE _____
	<input checked="" type="checkbox"/> Necessary Action

APPROVALS (Only when prepared for director's signature)	APPROVE	* DISAPPROVE (Note reason for disapproval and return to preparer.)	COMMENT
1.			
2.			
3.			
4.			

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Atlanta Regional Office
61 Forsyth Street, Suite 4T20
Atlanta, Georgia 30303



DIVISION OF MEDICAID & CHILDREN'S HEALTH OPERATIONS

June 17, 2013

SC-13-007

Mr. Anthony E. Keck, Director
Department of Health & Human Services
1801 Main Street
Columbia, SC 29201-8206

RECEIVED

JUN 24 2013

Department of Health & Human Services
OFFICE OF THE DIRECTOR

Dear Mr. Keck:

The Centers for Medicare & Medicaid Services (CMS) approves funding in the amount of \$76,850,709 through state fiscal year (SFY) 2015 for South Carolina's Medicaid Management Information System (MMIS) replacement project, inclusive of costs incurred to date for project deliverables, as described in the Implementation Advance Planning Document-Update (IAPD-U) submitted by the state on May 13, 2013. South Carolina submitted the IAPD-U to request federal funding for the design, development, implementation, and operation of a new MMIS that will be comprised of multiple, integrated subsystems and contracts, and that will facilitate efficient, cost-effective service to all stakeholders following the Medicaid Program's transition to managed care coverage for a majority of beneficiaries.

The decision by the state to move South Carolina towards a managed care-centric Medicaid Program necessitated that the state publish a "No Award" notice for its Request for Proposal (RFP) for MMIS procurement on August 17, 2012, and completely redevelop the MMIS replacement IAPD that CMS had previously approved on February 23, 2010. The previously approved IAPD included project funding for \$344,045,699. The state has already expended \$15,981,318 of this amount for MMIS deliverables that will be used to accelerate the revised project. With this letter, CMS considers the IAPD approved in February 2010 to be closed. Funding spent to date for the MMIS replacement project is carried forward into the current IAPD-U.

At this time, CMS is not approving project funding through state fiscal year 2023 as requested by South Carolina, as the state needs to address additional questions from CMS about its project plan, and consider other, possibly more cost-effective options for development of the replacement MMIS. These options include an MMIS module developed by CMS and its partners as a shared services solution for provider eligibility determination.

For projected expenditures through SFY 2015, federal financial participation (FFP) amounts to \$52,098,203, and is broken out as follows: \$38,804,170 at 90 percent FFP, \$12,170,431 at 75 percent FFP, \$141,825 at 50 percent FFP, and \$981,777 in FFP for costs specific to the Children's Health Insurance Program (CHIP). For the \$15,981,318 in developmental expenditures to date carried forward from the previous IAPD, 90 percent FFP totals \$14,383,186. Total approved

funding through SFY 2015 amounts to \$76,850,709 (FFP of \$66,481,389); funding approval will expire on June 30, 2015.

MMIS Replacement Project – Projected Costs through SFY 2015			
Cost Categories	Projected Costs	FFP Rate	FFP Amount
MMIS Design, Development, and Implementation	\$43,115,745	90%	\$38,804,170
MMIS Operations and Maintenance	\$16,227,241	75%	\$12,170,431
Related General Administrative Costs	\$283,650	50%	\$141,825
Related CHIP Costs	\$1,242,755	79%*	\$981,777
Projected Costs	\$60,869,391	***	\$52,098,203

*Current Enhanced Federal Medical Assistance Percentage (eFMAP) for SC CHIP

MMIS Replacement Project – Previously Incurred Costs			
Cost Categories	Incurred Costs	FFP Rate	FFP Amount
MMIS Design, Development, and Implementation – since 2/23/2010	\$15,981,318	90%	\$14,383,186
Previously Incurred Costs	\$15,981,318	***	\$14,383,186

MMIS Replacement Project – Total Costs			
TOTAL (PROJECTED + INCURRED) COSTS	\$76,850,709	***	\$66,481,389

CMS will work closely with South Carolina as it revises and clarifies project design and development per our guidance. Additional federal funding will be approved in phases, as project developmental stages meet CMS expectations. The state will address the following to CMS's satisfaction:

- Project alignment with Medicaid Information Technology Architecture (MITA) 3.0 business processes and the Seven Conditions and Standards for enhanced funding for Medicaid technology investments.
- Opportunities for leveraging open source technology and shared services solutions—such as the provider eligibility/screening solution currently being implemented in Minnesota—to reduce state and federal development costs for the MMIS.
- The replacement MMIS's role in the statewide Medicaid enterprise, including how it will interface and exchange data with managed care plans, the new Eligibility Enrollment and Member Management System (EEMMS), and other systems and stakeholders.

Continued federal funding for the MMIS replacement project is contingent upon:

- Timely submission of monthly status reports summarizing accomplishments for the last 30 days, upcoming activities for the next 30 days, risks, corrective actions, and cumulative project expenditures. Monthly status reports should be submitted to CMS by the last day of each calendar month. For reports that end on a calendar quarter, the state must also show the balance of approved IAPD-U funding remaining.

Mr. Anthony E. Keck
Page 3

- Timely submission of monthly Independent Verification and Validation (IV&V) reports assessing project progress and risks as described in 45 CFR 95.626.
- Timely submission of all required quarterly CMS financial reports for the project.

South Carolina is reminded that onsite reviews will be conducted to determine whether or not the objectives for which FFP was approved are being accomplished, and whether or not the automatic data processing (ADP) equipment or services are being efficiently and effectively utilized in support of approved programs or projects as provided for at 45 CFR Part 95, Section 621 and the State Medicaid Manual. As provided by the State Medicaid Manual, Section 11200 and by 45 CFR 95.611, all subsequent revisions and amendments to this IAPD-U will require CMS prior written approval to qualify for FFP. In accordance with 45 CFR Part 95.623, state acquisition of ADP equipment and services without prior approval could result in disallowance of FFP.

In addition, continued federal funding for South Carolina's MMIS replacement project is contingent upon the state initiating monthly submission of the Transformed Medicaid Statistical Information System (T-MSIS) format beginning in early 2014. Data submissions are expected to meet quality validation routines for acceptance within 30 days of the reporting month. MSIS formats will no longer be accepted as part of this transition.

Should the MMIS fail to maintain and produce all federally required program management data and information, including the required T-MSIS, eligibility, provider, and managed care encounter data, in accordance with requirements in Part 11 of the State Medicaid Manual and the approved IAPD-U for this effort, FFP may be suspended or disallowed as provided for in federal regulations at 45 CFR 95.612.

Any changes to previously approved contracts for this effort require CMS prior approval pursuant to 45 CFR 95.611. Allowable costs are determined by 42 CFR Part 433.116, 45 CFR Part 92, 45 CFR Part 95, Subpart F, and Part 11 of the State Medicaid Manual. All costs identified in the IAPD-U are understood to be estimates only. Allowable costs are determined by 42 CFR Part 433.116, 45 CFR Part 95, Subpart F, and the State Medicaid Manual, Part 11. Only actual costs incurred are reimbursable. The state must provide adequate support for all costs claimed in addition to providing detailed records and proper audit trails.

I would like to thank you and your staff for your work administering South Carolina's MMIS. If there are any questions concerning this information, please contact John Allison at (828) 575-2876 or via email at John.Allison@cms.hhs.gov.

Sincerely,


Jackie Glaze
Associate Regional Administrator
Division of Medicaid & Children's Health Operations