



Oregon

Theodore R. Kulongoski, Governor

Department of Human Services

Office of the Director

500 Summer St. NE, E-15

Salem, OR 97301

503-947-5110

Fax: 503-378-2897

TTY: 503-947-5080

September 8, 2009

The Honorable Peter Courtney, Co-Chair
The Honorable Peter Buckley, Co-Chair
Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048



Re: Medicaid Management Information System (MMIS) Update

Dear Co-Chairpersons:

The purpose of this letter is to provide a status update for the newly implemented Medicaid Management Information System (MMIS) that was implemented December 9th, 2008.

Background

Implemented in 1982, DHS' previous MMIS was designed to handle paper claims submitted by healthcare providers and to track the medical eligibility of Oregon's Medicaid clients. Since that time, the healthcare field has evolved from a primarily fee-for-service system to a system that increasingly relies on sophisticated managed healthcare approaches.

DHS' previous MMIS was unable to efficiently and effectively process the nearly 1.7 million claims, encounters, and capitation payments received every month. As the business requirements for providing long term care and medical services to low income Oregonians have continued to evolve, the previous MMIS no longer met the increasingly complex demands. Also, compliance with the federal Health Insurance Portability and Accountability Act (HIPAA) has emerged as a major challenge for Oregon's previous MMIS.

On December 9th, 2008, DHS replaced the previous MMIS with one that is technically more modern and functionally superior to the previous MMIS, and meets State of Oregon and federal government functional and business requirements including HIPAA. The project is funded through certificates of participation (COP)

"Assisting People to Become Independent, Healthy and Safe"
An Equal Opportunity Employer



issued by the State of Oregon. The project has an approved budget of \$80,762,791 total funds with 90% funded by the federal government and 10% State funded by COP and general fund. DHS has not yet accepted the system and is withholding the final payments for system development pending acceptance of the system.

Benefits of the New MMIS

The new MMIS is enabling DHS to improve and further develop local partnerships, so that human services can be provided in a seamless fashion, addressing the full range of client and community needs. The new MMIS will benefit MMIS stakeholders in the following ways:

- For Providers, the new MMIS will provide a more responsive payment processing through the use of a Provider Web Portal.
- For Policy Makers, the new MMIS will provide the flexibility to support state/federal Medicaid legislation and will enable improved Medicaid financial decision making.
- For DHS, the new MMIS will provide a federally certified system for DHS-wide Medicaid administration and will result in DHS operating efficiencies and stronger business processes to support Managed Care Plans and Medicaid providers.

Major Accomplishments

- Since implementation on December 9th, the system has been available 99.6% of the time
- The system is processing 95% of all claim types within 30 days
- The Provider Web Portal has performed as expected since implementation
- System response times have measured at 97.5% of information being returned to users within 10 seconds of request
- Managed Care Organizations are receiving both daily and monthly client enrollment files
- Claim suspense rates are similar to legacy
- Pharmacy Benefits Management processes have been operational since implementation
- Financial cycles completing as expected
- Provider usage of Automated Voice Response has been high
- Client coverage letters and semi-permanent medical identification cards are automatically generated from the system
- Client encounters are being received and processed

Summary of Delays and Challenges

The MMIS was implemented with outstanding issues in the Managed Care and Recipient sub-systems. DHS implemented manual work around processes to ensure clients received services and providers received payment for services rendered. Nonetheless, a very small number of clients experienced delays in accessing services, providers struggled to determine accurate client enrollment information and field staff experienced increased workload due to manual processes at go-live of the new system.

The presumed period of stabilization was 90 days from implementation (March 1st, 2009). On July 21, 2009 DHS sent the MMIS contractor, Electronic Data Systems (EDS) a "Notice of Failure of System to Materially Perform, and Demand for Cure". Since receipt of the letter, EDS has devoted additional resources to the project and significant progress toward stabilization has been made in the last six weeks.

Summary of Outstanding Issues and Next Steps

- Third Partly Liability (TPL), which is the process of billing other insurance companies before Medicaid, is not fully functional. It is expected that TPL will be fully operational by October 31st, 2009.
- Co-insurance claims for nursing facilities cannot be processed in the system. Co-insurance claims are those where a nursing facility client is dually eligible for both Medicaid and Medicare. This functionality will be ready for testing on October 31st, 2009.
- Managed Care Auto-assignment is not fully functional within the new system. Auto-assignment is an automated process for equally distributing clients into Managed Care Plans according to several factors including geography and service needs. Auto-assignment will be fully implemented by the third week of September.
- System issues pertaining to improper disenrollment of clients are being resolved. The last set of issues will be resolved by the third week of September.

The Honorable Peter Courtney, Co-Chair
The Honorable Peter Buckley, Co-Chair
September 8, 2009
Page 4 of 4

The Department of Human Services will submit an addendum to this letter the week of September 21 with an update on progress toward the above milestones.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Scherzinger". The signature is fluid and cursive, with a large initial "J" and "S".

Jim Scherzinger
Deputy Director of Finance

CC: John Britton, Legislative Fiscal Office
Sheila Baker, Legislative Fiscal Office
Blake Johnson, Department of Administrative Services