

**Detailed Plan for Transitioning Maine’s MMIS System from CNSI / MeCMS
To an New MMIS Vendor Employing a Fiscal Agent Model**

INTRODUCTION

Pursuant to consultations over the course of the last several months between the State of Maine and the Centers for Medicare & Medicaid Services (CMS), Maine has developed the following plan for transitioning its MMIS activities off the MeCMS platform developed by CNSI of Gaithersburg, Maryland to a replacement claims processing system supplied by a mainstream vendor. The State has already initiated the process of revising its relationship with CNSI and intends to put a contract in place for a replacement solution within the next six months.

This plan recounts the history of Maine’s efforts to replace its legacy MMIS system, dating back to 2001. We report the process that Maine leadership has used to evaluate the status of the existing project with CNSI, then review the options for moving forward, focusing on the need – shared both by the State and CMS – to put a federally-certifiable MMIS in place as soon as possible. In the pages that follow, we describe the exploratory meetings that Maine has conducted with competing MMIS vendors. Finally, this plan lays out specifics of the path that Maine proposes to follow to obtain a certified MMIS.

The end of the plan also discusses the process for submitting a new Advanced Planning Document (APD) to CMS, requesting enhanced federal matching funds to support acquisition and deployment of a replacement solution based upon a fiscal agent model. And, as Maine prepares to transition to a new chapter in its MMIS development, the plan shares proposed changes in the MMIS project management structure.

BACKGROUND

In 2001, the State of Maine issued a Request for Proposals (RFP) for design and implementation of a new Medicaid Management Information System (MMIS) to process claims for reimbursement submitted by health care providers delivering medical care to beneficiaries of the Maine Medicaid program (MaineCare). After receiving bids from two potential vendors, the State awarded a contract worth \$14.5 million to CNSI of Maryland to supply Maine with a GUI web-based, HIPAA-compliant system capable of satisfying federal certification standards. The original contract specified that CNSI would deliver a certifiable system within 12 months of the contract date.

In January 2005, after numerous delays, extensions and contract amendments, CNSI urged the State to deploy (“go-live”) with the new system, by then referred to as the Maine Claims Management System (MeCMS). CNSI conceded that the system was not yet complete or certifiable, but asserted that MeCMS was sufficiently functional to commence processing claims immediately. The firm also represented that it would deliver the remaining modules necessary to achieve certification within 90 days. The State approved CNSI’s proposal, shutting down the legacy MMIS at midnight on January 20, 2005 and doing a total cutover to MeCMS the next morning, January 21.

Within the first few days, reports started to pour in indicating that there was something seriously wrong with the new system. Processing throughput had declined substantially, claims were denying or suspending at abnormally high rates. Large numbers of providers were reporting that the new system was rejecting or inappropriately processing their claims. It became clear that the portions of MECMS deployed on January 21 were experiencing serious, compound malfunctions and that errors were multiplying at a rate which made it nearly impossible to decipher exactly what was going wrong or to identify root causes.

The situation rapidly deteriorated. The State began offering estimated (interim) payments in lieu of adjudication to providers whose cash flow was jeopardized by MeCMS' inability to process and pay their claims¹.

During the spring and summer of 2005, MeCMS' day-to-day performance was extremely volatile, the adjudication rate hovered around 40-50% and the claims suspension inventory grew to 550,000. With so much going wrong, diagnosing the defects and formulating an effective strategy for remediating the system proved extremely difficult.

In June 2005, the State installed new management at OMS and in partnership with the newly-appointed Technology Director at DHHS, leadership moved quickly to assert State control over the remediation effort. Consulting resources enlisted by the State led an intensive effort to identify and isolate root causes and, with this information in-hand, State-led project management laid out a detailed plan for achieving system stability by December 31, 2005. The stabilization plan included 19 metrics, including reduction of the suspense inventory to 250,000 by year-end and improvement of the daily adjudication rate to 75%.

Successful attainment of the stabilization goals by year-end segued into an effort to prioritize missing functionality and hundreds of defects, with an emphasis on first repairing those aspects of the system that were having the most adverse impact on members and providers, in terms of claims volume or dollars.

The State also wanted to move the development / remediation process out of the full crisis mode that had characterized the stabilization effort – where patches and revisions were applied to the system on an almost daily basis – to a more disciplined, less risky process that would batch repairs into version releases, with batches of repairs applied to the system at 60-90 day intervals.

This scheduled approach would permit careful testing of new code prior to deployment and allow State project management to concentrate and coordinate State, consultant and CNSI resources in a staged fashion, with development efforts focused only on those issues identified for repair in the next release, rather than the diffusion of attention and resources that had previously characterized the repair efforts. A release schedule was

¹ By the time MeCMS had been sufficiently repaired to obviate the need for continued estimated payments, the State had disbursed more than \$516 million in such payments to providers and then faced the daunting task of recouping and reconciling these disbursements against actual claims.

developed with input from CNSI that proposed a series of 10 staged releases stretching into 2007, culminating with an incorporation of all remaining code necessary to submit the MeCMS system to CMS for federal approval. The first release, referred to as R1, was scheduled for deployment on July 1, 2006.

An intensive, targeted development and testing effort began in early 2006, aimed at readying R1 for deployment. State attempts to deploy the new code were thwarted when it became clear that code delivered by CNSI was still not functioning properly. The episode also revealed that the State's new testing protocols were not sufficiently robust to detect the inadequacies of CNSI's code. In a report prepared several months later by First Data Government Solutions, the State's Independent Validation & Verification (IV&V) consultant stated: "Mid-level management [at CNSI] expressed grave concern regarding the expense of retaining personnel during periods of State indecision and admitted to releasing software with known issues due to internal financial pressure

The failure of R1 in July 2006 threw the entire release schedule into question, raising serious questions by Maine and at the federal level as to CNSI's capacity to complete the project.

After the failure of R1, the State initiated a high-level reassessment of the viability of the MeCMS project and began considering alternative methods for obtaining a compliant, certifiable MMIS within a timeframe acceptable to the federal government. The State also realized that Maine could proceed no further without federal support. Any approach would need to be sufficiently prompt, safe, deliverable and credible to reengage federal officials.

The remainder of this plan describes the results of the State's investigation of alternatives and its recommendation to CMS.

ASSESSMENT & OPTIONS

In autumn 2006, State leadership requested CNSI, State project management, IV&V and consultants from Deloitte to share their respective opinions with respect to the current status of the MeCMS project, the extent of completion, an inventory of missing functionalities and capabilities, and prospects for timely delivery of a fully-functional product. With this information to draw upon, leadership began weighing several scenarios that might lead to the timely, cost-effective acquisition of a certified MMIS. This team, known as the "MeCMS Steering Committee," consisted of the Commissioner of DHHS, the Commissioner of DAFS, the State CIO, the DHHS Deputy Commissioner of Finance, the Director of OMS and the OMS Project Manager. They began a series of intense 3-4 hour weekly meetings to evaluate the options and chart a path forward.

On the one hand, the State's leadership changes, intervention into active project management and massive investment of additional staff and consulting resources had

yielded significant improvements in the performance of MeCMS in the months that followed June 2005.²

However, two full years after go-live and nearly six years after the project commenced, the system remains unable to:

- process third-party liability claims (TPL)
- conduct program integrity and fraud reviews (SURS)
- generate standard federally-mandated reports (MARS)
- populate a data warehouse and run either financial or utilization trend queries against the claims database
- re-price incorrectly paid claims (Voids & Adjustments)
- accept HIPAA-compliant claims transactions from providers
- process co-payment & deductibles claims submitted by providers who deliver health care to Medicare / Medicaid dual-eligibles (Crossover A & B).

This is not a finite or exclusive list of current gaps in the MeCMS system, only a highlight of some of the more significant and troublesome failures. There also remain hundreds of coding defects that are, as yet, unaddressed.

Considering the degree to which MeCMS is still impaired, the Steering Committee studied four options for addressing these gaps and completing the MMIS initiative:

- Rely upon CNSI to complete the project
In a detailed and lengthy presentation by CNSI's corporate leadership, the company proposed a revised release schedule, changes to project management both at CNSI and the State and more autonomy for CNSI to drive the project to completion. CNSI proposed that future development efforts would be reimbursed on a time & materials basis, rather than the fixed price arrangement that had governed previous contractual agreements.
- Project completion by State staff
This scenario considered the possibility that Maine would assume total ownership, control and staffing of the MeCMS project, employing its own programmers to complete development of the missing code.
- Engagement of a system integrator to manage and complete the project
Under this approach, the State would engage a large-system integrator with experience in IT system development and project management. The system integrator would take the MeCMS code from CNSI in its "as is" condition and assume full responsibility for completion of the project, applying programming

² In recent months, the State has reported that MeCMS is routinely adjudicating 93-95% of claims, the suspense inventory has declined to 63,000 claims, turnaround time of claim processing is meeting or exceeding industry standards and claims accuracy audits – employing commercial insurance methodologies -- are showing that claims are paying accurately 93% of the time.

resources necessary to fill in the missing pieces.³ The system integrator might elect to utilize its own programming staff, procure resources from CNSI under a subcontract (with CNSI coders working strictly at the behest of the integrator) or employ the services of a third-party IT resource.

- Procurement of a replacement MMIS from a mainstream vendor
The final option considered by the Steering Committee would require the State to restructure its contractual relationship with CNSI, orphan the partially-completed system, and procure a replacement system – based on a fiscal agent model -- from one of the competing MMIS vendors. Given the lead time (from contract award to deployment date), this option would also require the State to keep MeCMS reasonably functional and capable of meeting providers’ – and the federal government’s – needs while the State awaited delivery of the replacement system.

EVALUATION OF ALTERNATIVES

- (1) **Rely upon CNSI to complete the project** – After careful evaluation of CNSI’s proposal for completion of the system, the Steering Committee identified serious gaps and inconsistencies in the approach suggested by CNSI, particularly the failure to demonstrate adequate resource loading to support development of the missing functions. The Steering Committee regarded CNSI’s proposed timeline as unrealistically aggressive given the current status of the project and the firm’s lengthy track record of untimely delivery. Further, the risk and cost would expand exponentially due to CNSI’s insistence on a time & materials contract and exemption from any risk.
- (2) **Project completion by State staff** – The Steering Committee considered the enormity of the work that remains to be done to bring the MeCMS project to completion, the drain on the State’s IT resource pool to assume full responsibility for programming, managing the project and operating the system, the challenges of attempting to compete in the labor marketplace for a large pool of skilled Java programmers given the limitations of the State compensation system and the State’s lack of experience and familiarity with the architecture used by CNSI in MECMS.
- (3) **Engagement of a system integrator to manage and complete the project** – The members of the Steering Committee seriously weighed the feasibility of bringing in an IT system integrator to replace CNSI and assume responsibility for completion of the project. However, a report by the IV&V consultant, revealing the lack of adequate documentation of CNSI’s coding efforts, pointed to the likelihood that any prospective system integrator would need to reverse-engineer the code, at considerable risk and expense, without the benefit of documentation or version histories that would help the integrator’s programmers understand and trace the evolution of the existing code and its interdependencies / interactions with other aspects of an extraordinarily complex piece of software. Conflicts with CNSI as to

³ The system integrator model assumes that CNSI would no longer direct the project, nor be responsible for delivery of the final product.

whether certain aspects of MeCMS, such as the rules engine, were proprietary or readily available COTS (commercial “off the shelf” software) would also serve to deter potential system integrators from taking on such a risky project.

(4) Procurement of a replacement MMIS from a mainstream vendor – In the end, the Steering Committee determined that the most prudent, timely, cost-effective approach would be to suspend further development and expenditures on the MeCMS project and switch to an existing mainstream MMIS product that has already secured federal certification in other states.

While this approach would orphan the MeCMS system and write off the troubled project’s sizable development costs, it would also cut the State’s losses. At this point, the State is unable predict when the MeCMS project will reach completion and certification.

Switching Maine to a competing product also entails further expense in procuring an MMIS system, but the expenditures would be more certain to produce a satisfactory outcome: contracting with an established vendor whose products are a known quantity, already approved by CMS and, therefore, likely to rebuild the federal government’s confidence in the Maine MMIS project, with the prospect that renewed federal funding at the 90% match rate would become available for the replacement product.

DISCUSSIONS WITH MAINSTREAM VENDORS

In December 2006, the State invited the three mainstream MMIS vendors, each with experience building and operating MMIS systems stretching over two decades in numerous states. Selection of these three vendors was purposeful:

- each company currently operates MMIS systems that have received federal certification
- each of these firms have extensive track records developing and operating multiple MMIS systems
- each is well-known and enjoys a positive reputation with client states and with the federal government
- each firm has substantial corporate resources and talent pools with extensive Medicaid experience upon which to draw to support the Maine project
- each operates MMIS systems in other states that might be readily adapted for Maine, compressing the time and costs required to develop an MMIS system from scratch

The three vendors invited to make preliminary presentations to the Steering Committee were Electronic Data Solutions (EDS), Affiliated Computer Services (ACS) and Unisys. During late December and early January, each company brought teams to Augusta to make 2-3 hour presentations, emphasizing their experience and activity in other states, the range of MMIS products offered, a menu of ancillary services that could be bundled with the core claims processing function, and exigent proposals for moving Maine to full

MMIS certification quickly and cost-effectively. Because the content of these presentations was considered proprietary by each of the three vendors and the State of Maine has agreed that the particulars of each vendor's presentation would not be disclosed to its competitors, the details of their respective presentations are not recounted in this plan proposal.

PROPOSED PATH GOING FORWARD

Weighing the pros and cons of the alternatives enumerated above, the Steering Committee proposes to pursue the fourth option, procuring a replacement MMIS, adapted from an existing installment in a sister state. The State of Maine believes that the most expeditious path to acquiring full MMIS functionality and satisfying CMS regulatory requirements is **adaptation** of an already-certified system by an experienced MMIS vendor with substantial resources and credibility.

Although the architecture of the three companies' technical solutions differs, as did the details of their prescriptions for Maine, the Steering Committee detected a common thread. Each company proposed to identify an existing client whose Medicaid program was sufficiently similar to Maine's in terms of coverage and benefits and whose MMIS software platform and hardware resources were sufficiently extensible to permit MaineCare to adjudicate its Medicaid claims in a mirrored environment of the other state's MMIS.⁴ Put another way, each vendor would create a clone of one of these existing MMIS systems, adapt it to the uniquenesses of the Maine Medicaid program, and then adjudicate Maine's claims (and perform other business functions) on the cloned system.

This adaptive approach, which would allow the vendors to bring full MMIS functionality to Maine much more rapidly than specifying and building a fresh MMIS from the ground-up, could serve as an interim / bridge solution while the State procured a ground-up system, but could also serve as a long-term solution to Maine's MMIS needs.

This plan makes the following assumptions:

- that Maine intends to initiate a re-procurement for an MMIS system
- that 18 – 27 months could elapse before a new system is ready for deployment
- that the State must retain some core capacity to process Medicaid claims from providers during this period
- that the most viable prospect for retaining this core capacity is negotiation of a contract that commits CNSI to operation and routine maintenance of the existing MeCMS system during this period

⁴ As precedent, each vendor pointed to the long-standing relationship between the State of Hawaii and the State of Arizona, whereby Arizona processes Hawaii's claims on Arizona's servers.

Based on these assumptions, the following plan for transitioning to a new MMIS platform was developed:

- Step 1** The State is seeking a different contractual relationship with CNSI.
- Step 2** The State is conducting negotiation of a new contract with CNSI, retaining the firm to maintain and perform routine maintenance of the existing MeCMS kernel from the present until such time as a replacement MMIS system is approved for deployment
- Step 3** The renegotiated contract with CNSI is anticipated to require the firm to complete development of certain functionalities in the near term, some of which are corrections of existing defects or system gaps (*e.g.*, voids, adjustments, J-code drug rebate collection, modifier fixes, DSS querying and reporting capability and correction of various CCFs that currently interfere with normal, accurate processing of claims).
- The renegotiated contract with CNSI would call for the firm to terminate development of all other major subsystems and functionalities that have not yet been delivered. After delivery of the products listed above, the renegotiated contract would, in essence, call for CNSI to maintain the status quo – taking steps to prevent degradation of the existing system – during the remainder of its relationship with the State of Maine.
- Step 4** Simultaneously, the State would initiate procurement of a replacement MMIS system based upon the fiscal agent model. Although the State would endeavor to complete the procurement process on an expedited basis, the timeframe for implementation of such a system could extend 18 to 27 months. Step 2 above is designed to bridge this delay and assure that OMS possesses the capacity to process a steady, robust volume of claims while awaiting deployment of the new system.
- It should be noted that any replacement vendor selected by the State would require substantial access to OMS subject matter experts during the development period in order to support customization of the transferred platform. Supplying these expert resources to the replacement vendor will not be possible unless the State requires CNSI to scale back or terminate its own development efforts with respect to MeCMS. Moving MeCMS to maintenance status during the bridge period will be necessary in order to free up sufficient State resources to support development of the replacement system.
- Step 5** Upon completion of the replacement system, functionalities performed by the MeCMS rules engine and various operational subsystems would be

migrated to the new platform and full systems operation would be transitioned from CNSI to the new fiscal agent.

Additionally, other OMS business functions encompassed by a fiscal agent contract (*e.g.*, provider enrollment or claims resolution) may also transition from State staff to the fiscal agent.

In order to avoid repetition of the January 2005 “Go Live” crisis (wherein the State – having switched off the claims processing legacy system – had no fallback capability when the new MeCMS system melted down upon deployment), the State of Maine will consider a measured transitional process.

While it is problematic to run two systems in parallel – and in the past, CMS disallowed the practice by insisting that it would allow federal operations match for only one system at a time – the State’s prior experience with a total cutover suggests that it is worth exploring the feasibility of running the systems in parallel long enough to ensure that the replacement system is performing as intended. Alternatively, a phased-in transition, with subsystems gradually turned on and proved out according to a schedule, would also help to minimize the State’s exposure by isolating and troubleshooting a subsystem in the event of failure, without fear that the entire MMIS is compromised.

Timeframe

Following a contract award, the new State project management structure would marshal State business content experts from OMS (redeploying many of these people from existing duties supporting the CNSI MeCMS product) and pair them with development staff from the selected vendor, initiating an intense effort to compare and identify differences in the rules and coverage options between Maine and the host State. This analysis would result in a list of adaptations which the cloned system would require.

The vendor would then commence the development process, making the necessary revisions or additions to the mirrored environment, in essence building up (making peripheral changes) to an already-functional base product. Given the essential similarity in federally-mandated Medicaid services and optional service and coverage groups, we expect that 70-80% of the base system would already overlap with the structure and scope of Maine’s Medicaid program. The bulk of the work would come in adding features not found in the host state, data conversion, incorporating Maine’s fee schedules and payment rules and reflecting Maine’s prepayment requirements, such as prior authorization for certain medical procedures or equipment.

While perhaps 20-30% of the host system would require customization, we estimate that the time required to make these adaptations would bring total elapsed time from contract award to deployment of the replacement system to somewhere between 18 and 27 months.

Each of the three vendors reckoned that they could complete this adaptation process and bring a replacement system into production as soon as 6-9 months after contract award. After respectfully considering these earnest estimates by the vendors, the State's recent experience in this arena -- combined with advice and the perspective that CMS has gleaned from monitoring MMIS development efforts across the country -- suggests that it is more realistic to double or even triple the vendors' estimates to allow for unforeseen difficulties and complexities in making the necessary adaptations, converting the claims data or recruiting staff with the appropriate expertise.

Fiscal agent versus self-administered

Roughly 32 of the 50 states across the country have elected to contract with a "fiscal agent" to administer key aspects of their Medicaid programs. Typically, these fiscal agents utilize proprietary software to process claims for reimbursement submitted by health care providers serving Medicaid recipients. The software, which is customized to conform to each state's regulatory requirements, is built, maintained and operated by staff employed by the fiscal agent. Providers submit their claims directly to the fiscal agent and look to the fiscal agent for other functions as well, *e.g.*, provider qualification & enrollment, billing inquiry & dispute resolution. The state contracts with the fiscal agent -- typically for a fixed price -- to process all its claims, meet certain accuracy, customer service and performance standards, and keep the software up-to-date and in compliance with all state and federal rules.

Historically, the State of Maine has been a "self-administered state", which is to say that in procuring previous MMIS systems for handling claims management functions in its Medicaid program, it has contracted with a software vendor to develop comprehensive software which would then be owned, maintained and operated entirely with State staff.

This was a fairly common model in the 1970's and early 1980's when the first MMIS systems were being developed around the country. This was a time when Medicaid was still a fairly young program (Medicaid did not come into existence until 1965) and considerably simpler. There were only two coverage groups in those early days (categorically-eligible, *i.e.*, recipients of SSI and AFDC) and medically-needy (individuals who would be eligible for SSI or AFDC but for excess income or resources) and one financial eligibility formula. Enrollment was a fraction of today's Medicaid participation and benefit design was comparatively simple. These were the days before enactment of the SCHIP program, before the Katie Beckett program, before the federal waivers.

In the ensuing years, with encouragement from Congress and CMS, eligibility for Medicaid services expanded enormously, adding new benefit coverage options and extending Medicaid coverage to specialty populations and income cohorts that had previously gone without access to health insurance coverage. Today, with programs that offer coverage to certain populations at or below 300% of the federal poverty level, Medicaid provides health insurance coverage to nearly one in every five citizens in the state of Maine and the ratios in other states are not much different. Not surprisingly

federal and state spending to support these expansions has also multiplied – in most states, Medicaid is one of the largest line items in the state budget, typically comprising 20-30% of all state spending.

Moreover, administration of the program has become much more complex. As coverage groups have proliferated, federal and state law specifies that each group is governed by unique eligibility criteria and benefit designs. The services offered – and the financial eligibility guidelines – for the participants in the HIV Waiver differ markedly from the rules pertaining to Katie Beckett children, and depart just as significantly from the contours of the program for pregnant women & children.

At the same time, federal requirements for fiscal management and financial reporting of Medicaid expenditures have become much more stringent. Obligations to coordinate benefits with other health insurance programs, such as Medicare and private insurance, recovery of third-party liability claims from primary insurers, program integrity, fraud detection and auditing requirements have all combined to require very powerful software capable of tracking these transactions.

As a result, as the current generation of legacy MMIS systems reaches obsolescence and states contemplate procurement of replacement software, fewer are choosing to self-administer. The IT and content expert resources necessary to develop, maintain and operate MMIS systems threatens to outstrip the management and budgetary capacity of most states. In the window between 2000 and 2010, 40-50% of the states will procure new MMIS systems. The number of jurisdictions that choose to self-administer are likely to dwindle as states grapple with the enormity of performing all these functions in-house.

Consistent with this trend, and chastened by its recent effort to develop a self-administered MMIS system, the State of Maine proposes to contract with a fiscal agent to administer certain aspects of the MaineCare program.

Core claims processing functions will be performed by a fiscal agent

The State proposes to enter a contract with an established MMIS vendor to perform the following Medicaid claims processing functions:

- Claims data entry - includes all claims submission functions, including receipt of electronic claims, scanning & keying of paper claims and manual re-entry / correction of claims
- Claims resolution - including routine suspense resolution. The State will likely retain some in-house staff to investigate and resolve more complex issues with providers
- Claims processing quality assurance - The State's contract with the fiscal agent will establish processing accuracy and performance (turnaround) metrics and will require the vendor to report this information to MaineCare for monitoring purposes. The contract will also contain performance penalties. The State also intends to retain in-house capacity to audit the vendor's performance

- Provider enrollment - fiscal agent staff would administer the provider qualification process, including initial enrollment, verification & retention of certification / licensure documents and periodic renewal. This activity will also be subject to performance and accuracy measures.

Ancillary services that might be bundled with the claims processing functions

The following Medicaid business functions are usually bundled with claims processing activities and performed by the fiscal agent. While conventional wisdom is that integration of these business functions complements the claims processing work and results in a more efficient, seamless process from the provider perspective, the State of Maine intends to reserve final judgment as to whether to bundle these services into the fiscal agent contract until more information is known about the expertise and capacity of the selected vendor.

- Provider relations - this could include operation of the provider call center and help desk
- Provider training – provider outreach & training, maintenance of billing manuals and provider billing instructions
- Billing inquiry - responding to queries from providers regarding the billing process and claim status

Functions that may be contracted to 3rd party vendors (either by State or fiscal agent)

The following Medicaid business functions are typically performed by 3rd party vendors, although the states differ as to whether they contract directly with these specialty vendors versus requiring the fiscal agent to conduct these activities (in which case the fiscal agents commonly subcontract the work to the same specialty vendors).

In some cases, such as pharmacy benefit management or utilization review, fiscal agents have developed in-house capacity to perform these functions and then offer to bundle these services with the claims processing contract. Again, which services the State of Maine procures directly and which it procures through the fiscal agent contract will depend on the particular capabilities and experience of the selected vendor. In any case, it is unlikely that Maine will perform these functions with state employees.

- Post-utilization / retrospective review
- Concurrent review, aimed at out-of-state placements
- Prior authorization -This clinical function is sometimes retained by the Medicaid agency and staffed by State employees, at least in part because performance of this function by a fiscal agent would have the potential for conflict of interest if compensated on a per claim basis. However, this function is usually outsourced

by private insurers to specialty 3rd party vendors and this is a growing trend within Medicaid agencies as well. Software developed by these vendors permits providers to secure prior authorization decisions via automated on-line systems with nearly instantaneous turnaround and fiscal agents are beginning to offer this feature as well. The State of Maine will consider the advisability and potential advantages of purchasing this capacity via contract, either with specialty vendors or from the fiscal agent.

- Third-party liability recoveries - including estate recovery, primary coverage insurance research, cost avoidance, drug rebate and casualty recovery. Following the prevailing trend among private carriers, Medicaid agencies increasingly contract out the TPL functions listed above (including most or all research, data matching, the “chase” aspect of “pay & chase”) to 3rd party vendors (although a number of states still retain in-house staff to conduct estate & casualty recovery and primary coverage pursuit, but outsource everything else).

Even when TPL functions are incorporated into a comprehensive MMIS contract with a fiscal agent, the FA typically subcontracts the TPL work out to 3rd party vendors specializing in TPL recoveries.

The State of Maine may retain some in-house TPL staff for contract management and quality assurance purposes.

- Care management - mirroring the approach of commercial insurers, Maine intends to procure the services of a 3rd party vendor to administer its disease management and care management programs. The State of Maine will consider the possibility of employing a 3rd party administrator to serve as managed care enrollment brokers – a growing practice among state Medicaid agencies.
- Pharmacy / pharmacy benefits management - The trend in the last five years has been for states to contract for pharmacy benefit management services from specialty vendors. However, fiscal agents are moving to incorporate this function into their comprehensive service package. Maine’s current PBM contract expires at the end of this fiscal year. The State will consider whether it is advantageous to integrate this activity into the fiscal agent contract or continue the practice of contracting directly with a 3rd party vendor.

Though the State has not made a final decision on these issues, Maine leans towards permitting the fiscal agent to subcontract certain business functions to other vendors, rather than contracting directly with those specialty vendors. This would alleviate the need for the State to manage multiple vendors.

Emulating the State of Wisconsin, the fiscal agent contract would specify that only “best of breed” solutions may be employed by the FA, requiring the fiscal agent to demonstrate that any proprietary solutions meet or exceed the performance of competing best-of-breed products.

Functions to be retained / performed by State staff

- Program administration & support
- Policy development
- Quality assurance & performance management - Maine employs in-house staff to monitor / audit quality and performance of contractors, including the fiscal agent. These staff also will develop and monitor metrics for both business functions and member health outcomes.
- Long-term care case mix monitoring - this is essentially an audit function with clinical expertise requirements (required by CMS)
- Member relations – Although Maine would retain this function, the State already augments its capacity by contracting with an external vendor with call center expertise to handle member help desk activities.
- Data warehouse / DSS – Although the fiscal agent would design and populate the data warehouse according to state specifications, the State would likely operate the data warehouse. Administration and querying of the DSS would be performed by State staff, generating standard periodic reports and responding to requests from the Policy Division, Quality & Performance Management Division and other entities in state government, such as DAFS, legislators and other components within DHHS.
- Fraud detection / program integrity / SURS) -- although the SURS unit will be staffed with State employees, as with the DSS, SURS will depend on the replacement MMIS system to supply claims records that can be monitored for program integrity. Software capable of detecting fraudulent billing patterns is commonly in use by health insurance fraud units. The State may seek some of this functionality in the replacement MMIS and may augment these tools with 3rd party products.

Adapting Maine to another state's framework

The Steering Committee gave serious consideration to an option suggested by more than one of the mainstream vendors, *i.e.*, adapting Maine's Medicaid system to the existing regulatory, operational and payment regimen of a host state. We understand that this is the route Hawaii elected when it contracted with the State of Arizona.

This approach offers the potential advantage of minimizing the amount of customization that would be required – in effect, the host state's Medicaid rules and operational procedures would be adopted as Maine's – and replace our existing – Medicaid rules. The host state's payment schedules would become Maine's payment schedules. Pursuing this strategy would allow the State of Maine to migrate all of its claims process and ancillary business functions onto the host system fairly quickly – perhaps as quickly as six months – and Maine providers would simply submit their electronic and paper claims to the host

state, where host claims would be processed on the host's servers, which would then generate the requisite Remittance Advices (RAs) and inform Maine's finance systems of the need to issue reimbursement.

The primary drawback of this approach is the disruptive effect it would have on members and the Maine provider community. Providers would likely need to adjust to different reimbursement levels, different claims submission protocols, different forms, different procedure, diagnosis & RAC codes. It seems likely that the host state's eligibility and coverage standards would be more restrictive than Maine's, with fewer optional services and populations.

This approach might require the State to make dramatic changes to its benefit package or coverage groups and would likely require extensive adjustments in Maine providers' existing billing systems (whether maintained in-house or contracted through a clearinghouse or billing agency). The administrative burden and financial costs to the provider community could be substantial.⁵

For this reason, the Steering Committee does not regard this approach as the preferred option. However, in the event that Maine needed to invoke risk mitigation measures to respond to a major MeCMS system failure or serious degradation in MeCMS' performance, adaptation to another state's program structure might be the fastest, safest way to restore Maine's capacity to process Medicaid claims.

OPTIONS FOR INTERIM / BRIDGE PERIOD

As previously discussed, the Steering Committee has premised its planning on a two-prong strategy for maintaining MeCMS and meeting federal requirements during the interim period, while it awaited deployment of a replacement system.

- (1) securing agreement from CNSI to confine its development efforts to a finite set of high-priority needs
- (2) contracting with 3rd party vendors to supply "bolt-on" products that could augment the partial MeCMS product with off-the-shelf software capable of meeting federal certification requirements, such as TPL, SURS, MARS and DSS.

Events in recent days raise serious questions as to whether this bridge strategy can work.

First, the State has been unable to reach a negotiated agreement with CNSI to complete development of a specific list of functionalities, such as J-code rebates, DSS, IRP and voids.. In fact, CNSI has informed Maine that it intends to cease all further development work. In addition, CNSI has indicated it may not agree to entering into a contract to provide day-to-day operations of the MeCMS system.

⁵ It should be said that moving to any replacement system will require the Maine provider community to make significant administrative adjustments to new MMIS. However, the less drastic approach favored by the Steering Committee would likely preserve Maine's scope of coverage, its fee schedules, and its operational protocols.

Second, the State's IV&V consultants have expressed doubt as to whether any plan to bolt-on 3rd party products (*e.g.*, TPL, SURS, etc.) to the partial MeCMS system can work, given the absence of a data warehouse or DSS, concerns about the purity of the MeCMS data streams, lack of system documentation and evident lack of cooperation from CNSI.

In short, the IV&V analysts question whether the MECMS system is sufficiently complete to support bolt-on solutions. There are also doubts as to whether other vendors would be willing or able to tie in to the MeCMS system, given the technical challenges and potential for conflict or active obstruction by CNSI.

Finally, a proposal to procure bolt-on solutions would require multiple simultaneous RFPs, multiple contract management teams, and multiple technical efforts to convert the MeCMS data streams in order to tie the bolt-on products into MeCMS. The IV&V consultants question whether Maine possesses the resources to manage all these tasks in parallel with procurement and development of replacement MMIS. From the IV&V's perspective, State and federal resources would be better spent – and more likely to produce success – if the State simply focused on obtaining a comprehensive replacement system as quickly as possible.

PROCUREMENT PROCESS

The State is currently reviewing its procurement options with the Attorney General's office. The State intends to select a procurement process that holds the greatest promise for obtaining a cost-effective, federally-certifiable MMIS in the shortest time possible.

PROJECT MANAGEMENT

The changes necessary to meet Maine's plan for transition to a fiscal agent program does not immediately provide relief from existing pressures on the MECMS system as it is managed, operated and problems are corrected. To accomplish continual operations and establish a manageable process for moving forward, a revised project management approach has been developed. Although Maine currently utilizes the services of consulting firm to manage MeCMS development efforts, the State believes that its resources can be put to best use by adopting a project management structure to support this plan that relies on State staff. The following plan was developed to meet the information technology needs of today and to support the process of moving forward with the transition to a replacement MMIS.

Objectives

- identify and support workarounds and impediment resolutions
- maintain stable operations
- improve performance in key claims processing areas
- establish and maintain reporting
- support interim payment recovery
- support efforts to transition to a fiscal agent model

Taking direct control and ownership

The State will take ownership of the MMIS project. Using State staff places final responsibility squarely with DHHS and DAFS for actions related to this project. Sufficient staff will be assembled. The Steering Committee will set a direction and support movement in that direction, listening to what is presented for feedback.

This plan calls for taking project management responsibility from Deloitte on May 1, 2007 and placing it with a Departmental PMO, established with direct staff supplied by OIT and supported through the OIT Statewide PMO. It creates strong lines of accountability and a cohesive team which will be dedicated to meeting the objectives. The plan calls for immediate actions and suggests responsible persons within the state. By meeting the timelines, a period of direct transition can occur between Deloitte staff and State staff, gradually ending their involvement by end of June 2007.

To further mitigate that risk, a qualified State staff person, Eileen Cerbarano, will be immediately assigned to the Support/Operations Project Manager position. She is on OIT staff and has supervisory responsibility over the DHHS / OMS IT area. She has the appropriate project management certifications and experience, coupled with vendor experience in health care management systems. She would also direct the immediate review, modification and implementation of a business continuity plan to take over operations of all environments and processing as soon as possible.

This plan also adds two systems analysts to support the process of “fit analysis” and scope identification for the new fiscal agent model. The Project Management Associates and the Office Specialist proposed in this design will provide direct capacity and support to the project management effort.

This plan does not include direct staff needed to perform actual daily tasks in operations, development, testing, nor does it identify specific business personnel to participate in the management. OIT, OMS and contracted staff will continue to be used to perform these tasks and increase the State’s ownership of the existing system. The expectation is that the OMS director will select persons from his existing staff and augment as necessary to manage the existing system and to proceed with the development and implementation of the transition to a fiscal agent protocol.

Steps necessary to implement new project management structure

(1) Establish and select one Senior Project Manager

- Deadline: March 30, 2007
- Responsibilities include all stages of the project management process:
 - procurement and allocation of project team resources
 - developing and/or approving the project plan and project schedule
 - achieving the project plan
 - ensuring delivery of quality systems which meets the project goals

(2) Establish and select five Project Management Support Staff

- Deadline: March 30, 2007
- 3 project managers, 3 associate project managers, 1 contract manager and 1 office associate (clerical) position
- The “junior” positions will be responsible for all administrative tasks related to the project and management of small projects as directed by the senior project manager
- The contract manager will manage all contracts related to the project. This should not be separate as it’s an integral part of the project’s success

(3) Immediately begin Business continuity implementation

- The strategy is to embed State employed staff in Maryland and Maine within CNSI locations as soon as possible.

PROCESS FOR REACHING CONSENSUS WITH CMS ON THIS PLAN

The State of Maine has agreed with CMS to submit this detailed plan for migration to a replacement MMIS system by February 5, 2007. Upon receipt, CMS leadership in the Boston Region 1 office and at the Baltimore central office will review Maine’s proposal and provide prompt feedback and suggestions for revision. After arriving at a meeting of the minds between State and Federal officials, the State of Maine will initiate preparation of a new Advanced Planning Document, requesting federal matching funds (at the enhanced MMIS rate) necessary to carry out this plan.

While a budget has not yet been prepared pending receipt of CMS feedback and negotiations with the selected MMIS vendor, the State anticipates that it will request funding in the new APD to cover the following activities:

- expenses incurred by the State of Maine, in the form of additional State staff, contracted staff augmentation, consulting resources and hardware acquisitions to remediate the consequences of CNSI’s flawed deployment of the MeCMS system in January 2005. This request will cover expenses incurred by the State for the period July 1, 2005 through June 30, 2007.

Insofar as the original 2001 APD and subsequent amendments contemplated that CNSI would deliver a complete, certifiable MMIS system, the State does not intend to ask CMS to contribute further reimbursement to CNSI, under the theory that CNSI has already been paid for its services by the federal government. The State’s request will be confined to coverage of the unanticipated costs incurred by Maine in stabilizing the MeCMS system.

- in the event that CNSI ceases further development efforts, expenses that may be incurred by the State of Maine in acquiring the ability to process certain high-priority transactions, such as crossovers and adjustments
- costs (at the 75% MMIS operations rate) of operating the MeCMS system during the transitional period, whether operations are performed by CNSI or by State staff
- costs of development of the replacement MMIS system by the new vendor (at the 90% MMIS development rate)

CONCLUSION

While the State of Maine believes that its efforts during 2005 and 2006 to stabilize the MeCMS system were prudent and fruitful, abundant evidence indicates that those remediation efforts have run their course.

The State's exertions have yielded relatively robust system performance, but two full years after go-live and six years after commencement of the project, MeCMS still lacks essential subsystems. MeCMS current level of functionality has been a frustrating, uphill fight, achieved via a multitude of patches and workarounds and at enormous expenditure of State resources, both financial and human.

In short, it appears that this project has reached the point of diminishing returns. It is time for both Maine and CMS to cut their ties to this project and pursue an alternative strategy for obtaining a fully-functional MMIS that can secure federal approval in the foreseeable future.

It does not serve any purpose for the State and CMS to relive the events of the past six years. Nor is it useful to prolong the debate regarding how much money has been for MeCMS or who should bear the costs of remediation. This has been a shared tragedy and the costs of recovery should be shared.

From where we all stand here in early 2007, the one unarguable imperative is that Maine and CMS both need a completely operable MMIS system – soon -- in order to responsibly administer \$2.3 billion in state and federal expenditures. We owe this to the 275,000 MaineCare members who depend on MaineCare as their last safety net, to the 7000 providers who voluntarily deliver vital health care to these most vulnerable of Maine's citizens and to the taxpayers who expect us to administer this program responsibly and cost-effectively.

This plan represents a clean break with a very unpleasant past. It turns over a clean page and answers the question: "Where do we go from here?" And, finally, this plan proposes that the State of Maine and CMS answer that question as allies and partners.