

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION  
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2024

2007 SENATE APPROPRIATIONS

SB 2024

# 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2024

Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 01/04/07

Recorder Job Number: 648

Committee Clerk Signature

*Alice Dehner*

Minutes:

**Chairman Holmberg** welcomed members of the Joint Committee to the hearing on SB 2024.

He indicated the bill will be turned over to the subcommittee to be looked at more closely,

**Senators Fischer, Kilzer, Grindberg, Krauter and Mathern.** Members of the Policy

Committee and anyone else who wishes to may testify today.

**MaggieAnderson, Director of Medical Services** discussed information regarding replacement of the current Medicaid Management Information System (MMIS). Written testimony (1) was provided. She discussed MMIS background information, why MMIS needs to be replaced, the Medicaid Systems Project Events during 2005-07 and it was stressed that if the state deviates from the CMS approval IAPD update funds will be suspended. In any event, the funds expire July 2009.

**Jennifer Witham, Director, Information and Technology Services** , covered the sectors on 2005-07 preliminary project work and the executive budget request. She indicated phase 1 is on time and on budget for ACS and ITD.

**Representative Kempenich** asked if the price is firm until the contract is established. The response was that the agreement is to keep the price firm. It is anticipated to recontract every eight years.

Other concerns involved the hard monies involved, whether the FTE's are permanent for the life of the MMIS project, whether this includes the main frame migration, and why the funds expended don't match up in some areas.

**Sterling McCullough, Mtg Management Consultants**, discussed the Report of Findings (2) including the executive summary, the assessment approach, the MMIS Market Assessment, the assessment of MMIS replacement alternatives and the recommendations.

Several questions were raised about the data from the states, MIDA compliancy, whether there is protection built in as far as costs, what is preventing getting other bids, and whether there needs to be concerns about Medicaid reimbursement as with Medicare reimbursement.

**Representative Skarphol** asked that the third party support be elaborated on, if the modules were going to be stand alone entities.

**Representative Svedjen** asked if the department had plans to reform how it operates in North Dakota and can MMIS be supported in the current system.

**Arnold Thomas, President, ND Healthcare Association**, testified in support of SB 2024 for the replacement of the MMIS system and in support of the MMIS business principles in making selection decisions. He also requested that authority be provided for the department to contract for private vendor services until the system is operational.

**Senator Bowman** asked if a private vendor could be used, why spend this money on the system.

**Senator Fischer** requested the Department respond to the concerns raised.

**Representative Walz** asked if the current system was capable of detecting fraud.

**Senator Lee** testified in support of SB 2024 indicating much research has gone into this and she urged the bill be looked at and to get it moving as quickly as possible.

**Senator Holmberg** indicated an emergency clause had been put on this bill.

**Carol Olson, Director, Department of Human Services**, indicated it was important to expedite SB 2024 as soon as possible. She indicated the sooner this gets going, the sooner it can be implemented.

The hearing on SB 2024 adjourned at 4:35 pm.

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No 2024

Senate

Check here for Conference Committee

Hearing Date: 01/08/07

Recorder Job Number 752

Committee Clerk Signature

*Alice Rubzer*

Minutes: Senator Fischer, Chairman of the subcommittee, opened the hearing on SB2024.

Jennifer Witham with Department of Human Services spoke regarding the Medicaid Management Information System (MMIS) and gave testimony and she stated written testimony had been distributed earlier at the first hearing on this bill.

**Senator Mathern** asked if we would pass this bill today does this money come out of this year's budget?

**Jennifer Witham** said the money won't be expended until July, 2007.

**Senator Krauter** would like a recap on the expenditures.

**Senator Grenberg** asked if Affiliated Computer Systems (ACS) has the contract with IT, what control do we have over their expenses and what are they delivering for our money.

Question were asked about the contingency and how other states handle such problems.

**Jennifer Witham** We did have a 3<sup>rd</sup> party attorney go through the contract and the AG's office went through two reviews and many states have updated their Hippa changes.

**Senator Krauter** asked if there is any value in putting in language to amend this bill that would require reports in the budget section.

**Jennifer Witham** I do know there is oversight by the IT Legislative Committee.

**Senator Mathern** indicated he would not like to see a delay in the passing of this bill.

**Senator Krauter** requested more updates on the whole process and asked how often we get a report.

**Jennifer Witham** stated we do monthly reports to Medicare and Medicaid. We can do quarterly reports also.

**Senator Grenberg** made a motion to have reports submitted, and seconded by Senator Krauter.

**Carol Olson, Director of the Department of Human Services (DHS)** stated she is certainly in favor of submitting reports.

There was discussion regarding the impact of the federal government and how changes affect DHS and this bill.

**Maggie Anderson, Medical Services** stated changes are very difficult to work through. Discussion followed regarding the involvement of the federal government.

**Carol Olson** had questions about the authority of the budget section.

**Deb Gienger, Legislative Council** stated that the dollar amount is appropriated, however there is language attached to the bill requiring that those dollars can not be spent until the budget section approves the expenditure of those dollars. She assured this committee that ITD will be watching this bill very closely.

Discussion followed regarding the passing of this bill. The bill will not be passed today. The Legislative Council will work on an amendment and submit it to this subcommittee.

The meeting was closed by **Senator Fischer**.

# 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No 2024

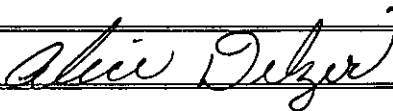
Senate Appropriations

Check here for Conference Committee

Hearing Date: 01-11-07

Recorder Job Number 915

Committee Clerk Signature



Minutes:

**Chairman Holmberg** opened the hearing on SB 2024, Medicaid Management Information System (MMIS).and asked Senator Fischer to pass out the amendments (0101) that was prepared by the Legislative Council.

**Senator Fischer** shared the reason for the Proposed Amendments.

Short discussion followed.

**Senator Fischer** made a motion to do pass the bill with the attached amendment. Seconded by **Senator Mathern**. 13 yeas, 0 no, 1 absent.

**Chairman Holmberg** announced the bill passed with amendment. Senator Fischer will carry SB 2024 to the Senate floor. Meeting adjourned.



PROPOSED AMENDMENTS TO SENATE BILL NO. 2024

Page 1, line 2, after the semicolon insert "to provide an exemption; to provide for budget section reports and budget section approval;"

Page 1, after line 16, insert:

**"SECTION 3. BUDGET SECTION REPORTS.** The department of human services shall report at each budget section meeting during the 2007-08 interim on the status of the medicaid management information system computer project.

**SECTION 4. CONTINGENCY FUNDS - BUDGET SECTION APPROVAL.** Of the total amount appropriated in section 1 of this Act, \$5,680,000 is for project contingencies. The department of human services shall obtain budget section approval prior to obligation or expenditure of funds related to a project change or other occurrence that requires the use of \$500,000 or more of the contingency funds for the period beginning with the effective date of this Act and ending June 30, 2009."

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**Senate Bill No. 2024 - Department of Human Service - Management - Senate Action**

Adds sections requiring quarterly reports to the Budget Section, identifying \$5,680,000 of the appropriation for the Medicaid management information system replacement project as contingency funds, and requiring the Department of Human Services to receive Budget Section approval prior to the obligation or expenditure of funds related to a project change or other occurrence that requires the use of \$500,000 or more of the contingency funds.

Date: 1-11-07  
Roll Call Vote #: 1

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2024

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number SB 2024 : 0101

Action Taken do pass Bill with as amended Amendment # 0101

Motion Made By Fischer Seconded By Matherin

Senators	Yes	No	Senators	Yes	No
Senator Ray Holmberg, Chrm	✓		Senator Aaron Krauter	✓	
Senator Bill Bowman, V Chrm	✓		Senator Elroy N. Lindaas	✓	
Senator Tony Grindberg, V Chrm	✓		Senator Tim Matherin	✓	
Senator Randel Christmann	✓		Senator Larry J. Robinson		
Senator Tom Fischer	✓		Senator Tom Seymour	✓	
Senator Ralph L. Kilzer	✓		Senator Harvey Tallackson	✓	
Senator Karen K. Krebsbach	✓				
Senator Rich Wardner	✓				

Total (Yes) 13 No 0

Absent (1) Robinson

Floor Assignment Sen. Fischer

If the vote is on an amendment, briefly indicate intent:  
as amended. Amendment # 0101  
Carried by Bill will be Fischer.

**REPORT OF STANDING COMMITTEE**

SB 2024: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2024 was placed on the Sixth order on the calendar.

Page 1, line 2, after the semicolon insert "to provide an exemption; to provide for budget section reports and budget section approval;"

Page 1, after line 16, insert:

**"SECTION 3. BUDGET SECTION REPORTS.** The department of human services shall report at each budget section meeting during the 2007-08 interim on the status of the medicaid management information system computer project.

**SECTION 4. CONTINGENCY FUNDS - BUDGET SECTION APPROVAL.** Of the total amount appropriated in section 1 of this Act, \$5,680,000 is for project contingencies. The department of human services shall obtain budget section approval prior to obligation or expenditure of funds related to a project change or other occurrence that requires the use of \$500,000 or more of the contingency funds for the period beginning with the effective date of this Act and ending June 30, 2009."

Renumber accordingly

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2007 HOUSE HUMAN SERVICES

SB 2024

# 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2024

House Human Services Committee

Check here for Conference Committee

Hearing Date: January 22, 2007

Recorder Job Number: 1582

Committee Clerk Signature

*Judy Schock*

Minutes:

**Chairman Price:** We will open the hearing on SB 2024.

**Maggie Anderson, Director of medical Services for the Department of Human Services:**  
this is a copy of the testimony that we provided on January 4 on the MMIS. See attached testimony and tables.

**Jennifer Witham:** I will walk you through the budget and the recommendations on page 19.

**Chairman Price:** Would there ever be a point where we could do the billing for another state? I realize there would be additions and I know they were a year behind. I know our Department has had discussions with SD. Is there anything happening on that now?

**Ms Witham:** We did look at that them. When we met with them we talked about frame and when they would be completed. We did talk about the operational concept.

**Representative Price:** If we are just looking at things like the providers such as services. Where are we at as far as getting the claims turned around for services? Particularly supplies such as the vision and hearing and those types of things.

**Ms Anderson:** On page 13 of my testimony I indicated we have concerns about that.

**John Mogren:** Social Service Director for County of Social Services: I am here to ask for your support to go forward with this. This should speed up billing and cut down on fraud.

**Representative Uglem:** Do we have any idea on how much fraud there is now?

**Ms Anderson:** We do currently have a problem (could not hear her to understand what she said).

**Chairman Price:** Anyone else to testify in favor, or anyone in opposition? If not we will close SB 2024.

# 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2024

House Human Services Committee

Check here for Conference Committee

Hearing Date: January 22, 2007

Recorder Job Number: 1583

Committee Clerk Signature

*Judy Dehock*

Minutes:

**Chariman Price:** Take out SB 2024. What would the committee like to do?

**Representative Porter** moves a do pass RR/Appropriations, seconded by **Representative**

**Potter**. The vote was taken with 12 Yeas, 0 nays and 0 absent. **Representative Weisz** will

carry the bill to the floor.

Date: 1/22  
Roll Call Vote #:

**2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. "Click here to type Bill/Resolution No."**

House HUMAN SERVICES S.B. 2024 Committee

Check here for Conference Committee

Legislative Council Amendment Number Do pass RB/APP

Action Taken \_\_\_\_\_

Motion Made By Rep Porter Seconded By Rep Potter

Representatives			Representatives		
	Yes	No		Yes	No
Clara Sue Price - Chairman	✓		Kari L Conrad	✓	
Vonnie Pietsch - Vice Chairman	✓		Lee Kaldor	✓	
Chuck Damschen	✓		Louise Potter	✓	
Patrick R. Hatlestad	✓		Jasper Schneider	✓	
Curt Hofstad	✓				
Todd Porter	✓				
Gerry Uglem	✓				
Robin Weisz	✓				

Total (Yes) 12 "Click here to type Yes Vote" No 0 "Click here to type No Vote"

Absent 0

Floor Assignment Rep. Weisz

If the vote is on an amendment, briefly indicate intent:



**REPORT OF STANDING COMMITTEE**

SB 2024, as engrossed: Human Services Committee (Rep. Price, Chairman)  
recommends **DO PASS** (12 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).  
Engrossed SB 2024 was rereferred to the **Appropriations Committee**.

2007 HOUSE APPROPRIATIONS

SB 2024

Date: January 29, 2007  
 Roll Call Vote #: \_\_\_\_\_

**2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO. 2024**

House Appropriations Full Committee \_\_\_\_\_

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass ~~Roll Call~~

Motion Made By Skarphol Seconded By Kempenich

*Call last*

Representatives	Yes	No	Representatives	Yes	No
<del>Chairman Svedjan</del>					
Vice Chairman Kempenich	✓				
Representative Wald	✓		Representative Aarsvold	✓	
Representative Monson	✓		Representative Gulleson	✓	
Representative Hawken	✓				
Representative Klein	✓				
Representative Martinson	✓				
Representative Carlson	✓		Representative Glassheim	✓	
Representative Carlisle	✓		Representative Kroeber	✓	
Representative Skarphol	✓		Representative Williams	✓	
Representative Thoreson	✓				
Representative Pollert	✓		Representative Ekstrom	✓	
Representative Bellew		✓	Representative Kerzman	✓	
Representative Kreidt	✓		Representative Metcalf	✓	
Representative Nelson	✓				
Representative Wieland	✓		<i>Mem. Svedjan</i>	✓	

Total (Yes) 23 No 1

Absent 0

Floor Assignment R. Weiss

If the vote is on an amendment, briefly indicate intent:

*Call  
 Senate  
 APPROP  
 FOR POINT  
 MINUTE*

**REPORT OF STANDING COMMITTEE (410)**  
January 30, 2007 11:45 a.m.

**Module No: HR-19-1521**  
**Carrier: Welsz**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SB 2024, as engrossed: Appropriations Committee (Rep. Svedjan, Chairman)**  
recommends **DO PASS** (23 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING).  
Engrossed SB 2024 was placed on the Fourteenth order on the calendar.

2007 TESTIMONY

SB 2024

**Testimony**  
**Senate Bill 2024 – Department of Human Services**  
**Senate and House Appropriations Committees**  
**Senator Holmberg and Representative Svedjan, Chairmen**  
**January 4, 2007**

Chairman Holmberg and Chairman Svedjan, members of the Senate and House Appropriations committees, I am Maggie Anderson, Director of Medical Services for the Department of Human Services. I appear before you to provide information regarding the replacement of the current Medicaid Management Information System (MMIS). Replacement of the MMIS is one component in the Medicaid Systems Project. In addition to my testimony, Sterling McCullough from MTG Management Consultants, L.L.C. will be presenting information on the Independent Analysis and Jennifer Witham, Director of Information Technology Services will be presenting information on the 2005-2007 Preliminary Project Work, and the 2007-2009 Executive Budget Request.

**Medicaid Management Information System (MMIS) Background**

The MMIS is a claims payment and reporting system that ensures payments for medical services are processed timely and accurately. It ensures the provider claiming reimbursement is enrolled and ensures the service for which reimbursement is requested is within program guidelines. It prices claims, accounts for payments, and maintains a history file of all claims. It is designed to detect problems such as duplicate claims and services beyond program limits.

If MMIS detects a problem, it will either automatically deny the claim, or suspend it for processing by a claims auditor. Even though each of these functions is common of a claims payment system, an MMIS is unique, just like each Medicaid program is unique. Some Medicaid programs cover all optional services, some none or very few. Each Medicaid program covers a variety of eligibility categories, at different income levels. MMIS, through it's interactions with the eligibility systems, MUST be able to determine who is eligible and for what level of benefit. An example of this type of uniqueness is the Medically Needy population. North Dakota is one of the states that cover this eligibility group, and we are unique in how their eligibility is established.

The MMIS also produces a variety of reports. Many of the reports are required by the Centers for Medicare and Medicaid Services (CMS) to report service and payment information. The ongoing receipt of Federal Funds is contingent upon the Department being able to supply accurate reports to CMS within the timeframes they prescribe. Other reports are used to manage the program and identify potential fraud and abuse issues.

Medicaid providers rely on MMIS for accurate and timely payment. These providers include Nursing Facilities, Hospitals, Physicians, Counties, Pharmacies and Clinics. In addition, the Qualified Service Providers (QSPs) rely on the MMIS for the equivalent of their paycheck.

What MMIS is not, is easy to envision. It is not a computer on a desk top, or a pre-packaged software product that can be purchased at a retail store; nor is it software that can be downloaded from the internet. It is literally millions of lines of computer programming code, which requires

the sophistication to interface with numerous other systems and programs to ensure all Federal Medicaid payment rules and State laws are followed. **It must be custom-modified for each state's unique Medicaid program rules.** This is no small undertaking. When complete, the new MMIS would reside on 48 servers and will be maintained by information technology experts. MMIS is a very complex technology, clearly exhibited by the limited number of vendors who have developed systems in this market. Having such a small pool of vendors also drives the cost up.

### **Why MMIS Needs to be Replaced**

North Dakota implemented the current MMIS in the fall of 1978. At that time it was a state-of-the-art system. The system is now 29-years old and it has been modified and enhanced countless times. The current software architecture is not flexible and has made it difficult to meet the business needs of the Department and providers for quite some time. For example, recent Federal changes to the Medicare Crossover claims process has complicated payments to hospitals and physicians. Minor policy changes often involve prolonged and complicated "hard coding" that requires extensive resources, and often leads to additional problems because of all the patches that have previously been made to the system. The current system does not meet current business needs, let alone the ongoing needs of providers.

In addition the fraud and abuse detection tools in the current MMIS are not sophisticated and manual review is often required because of system limitations.



In short, a new MMIS will allow the Department to be more responsive to changes, and in fact, will allow more proactive program management. In addition, it will allow for more efficient, accurate and timely payments to providers.

### **Medicaid Systems Project Events during the 2005-2007 Interim**

The 2005 Legislature authorized an appropriation of \$29.2 million to design, develop and implement the replacement Medicaid Systems. The Department released a Request for Proposal (RFP) on June 1, 2005, with proposals due September 1, 2005. The Department received one proposal for MMIS, three proposals for Pharmacy Point of Sale (POS), and two proposals for the Decision Support System (DSS), which are all components of the Medicaid Systems Project. After the proposals were reviewed and scored, the Department held oral presentations with all vendors to further refine the vendors proposals and to ensure the proposals met the business and technology requirements set forth in the RFP. The oral presentations were completed in mid-November 2005 and vendors were asked for best and final offers, which were due December 5, 2005. The Department then notified the Budget Section that the estimated cost of the Medicaid Systems Project had significantly increased.

The increase is related to several factors. First, there have been changes in technology. Medicaid Information Technology Architecture (MITA) was a concept on the drawing board within the Centers for Medicare and Medicaid Services (CMS) when the Cost Benefit Analysis was prepared. Today, MITA is required and, as a result, cost proposals for all new Medicaid Systems are landing higher than two – three years ago. The

newer technology will enable Medicaid systems to be more effective and efficient and will help ensure seamless health care payments between payers. The new technology also results in a "plug and play" approach to maintaining the system, which allows components to be upgraded or replaced rather than an entire system, as a portion becomes obsolete. For example, if CMS requires a significant program change, this "plug and play" technology will allow North Dakota to be more responsive, in less time and at lesser expense than with the current technology. This is intended to reduce long-term replacement costs. Unfortunately, this has increased the initial development costs, as vendors are making system changes to ensure they can be competitive within the MITA requirements.

When the Cost Benefit Analysis was prepared in the 2003-2005 interim, it was based on estimates for North Dakota transferring a system in from another state. In the meantime, MITA became required, and a transfer was no longer appropriate. Therefore, we are experiencing a cost increase because of a shift in the technology currently under development. The costs for this new technology are not expected to decrease in future years; in fact, costs are likely to increase.

At the March 8, 2006 meeting of the Budget Section, a motion passed that encouraged the Department of Human Services to begin preliminary work on the Medicaid Systems Project. The preliminary work was to include deliverables that would be required, regardless of the option selected during the 2007 Legislative Session.

In addition, the motion encouraged the Department to contract for an independent analysis of the following options:

1. Acceptance of the current ACS Bid

2. Rebidding of the MMIS project
3. Joint development with another state
4. Use of a fiscal agent
5. Outsourcing the billing and payment components

In March 2006, the Department submitted the proposed MMIS contract to the Centers for Medicare and Medicaid Services (CMS) for approval, which is part of the oversight required by CMS. The contract was approved June 6, 2006 by CMS.

Currently, **CMS provides 90 percent federal funding** for the design, development and installation of a new MMIS. In order to receive the enhanced funding, we are required to submit for approval an Implementation Advance Planning Document (IAPD). The IAPD has been approved by CMS, based on acceptance of the current Affiliated Computer Systems (ACS) bid. If a decision is made to pursue a different alternative, an Update to the IAPD would need to be submitted and approved by CMS. In the March 30, 2006 IAPD approval received from CMS, they stated:

*"CMS wants the State to be aware that should the project deviate from the CMS approved IAPD Update, FFP for the new MMIS project will be suspended and disallowed as provided for in federal regulations at 45 CFR 95.611(c)(3) and 95.612. In any event, authorization of federal funding for this project will expire on April 24, 2008\* (i.e., the scheduled date for completion of the Operation Acceptance Test and full operation of the new MMIS, POS, and DW/DSS). Also, please be advised that should funding for the full project not be authorized or the system not become*

*operational, that the FFP authorized for this project will be subject to disallowance by CMS (see 45 CFR 95.612)."*

\* This date has subsequently been approved by CMS at July 31, 2009.

Because the Federal Government, through CMS, provides 90 percent federal funding for this project, we requested CMS input for this testimony. Representatives from the CMS Denver Regional Office were unable to be here today; however, they have provided a letter regarding the North Dakota Medicaid Systems Project. Please see attached letter.

Jennifer Witham, Director, Information and Technology Services, will now cover the Sections on the 2005-2007 Preliminary Project Work, and the 2007-2009 Executive Budget Request.

### **2005-2007 Preliminary Project Work – Phase I**

As Maggie stated, in September 2005 the Department received one proposal for MMIS, three proposals for Pharmacy Point of Sale (POS), and two proposals for the Decision Support System (DSS), which are all components of the Medicaid Systems Project. Based on best and final offers received in December 2005, the Department estimated the total cost of the project to be \$56.8 million.

The Budget Section found that it did not possess the authority to approve increased funding for the Medicaid System Project beyond the 2005 appropriation of \$29.2 million. However, on March 8, 2006 the Budget Section did support a plan for the Department to begin preliminary project work under its existing authority. This preliminary work, Phase I, will not exceed \$10 million in 2005-2007. Execution of Phase II of the