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11100 BACKGROUND

The Medicaid program, enacted in 1965 under title XIX of the Social Security Act (the Act), is a grant in aid Medical Assistance Program financed through joint Federal and State funding and administered by each State according to an approved State plan. Under this plan, a State reimburses providers of medical assistance to individuals found eligible under title XIX and various other titles of the Act.

In October 1972, Public Law 92-603 was enacted in which § 235 provided for 90-percent Federal financial participation (FFP) for design, development, or installation, and 75-percent FFP for operation of State mechanized claims processing and information retrieval systems approved by the Secretary. For Medicaid purposes, the mechanized claims processing and information retrieval system, which States are required to have, is the Medicaid Management Information System (MMIS). The objective of providing increased Federal financial support to MMIS acquisitions, or changes approved for enhanced funding, is to help States realize more efficient, effective, and economic administration of the Medicaid program. An implementing regulation, 45 CFR 250.90, was published May 20, 1974, and the supporting Part 7 of the Medical Assistance Manual, Program Regulation Guide (MSA-PRG-31) was published June 10, 1974. This regulation and guideline have provided the basis for Federal review and approval of State requests for 90- and 75-percent FFP under § 1903(a)(3) of the Act. A requirement of § 1903(a)(3) that all recipients of Medicaid services receive written notice regarding these services was amended (Public Law 95-142 on October 25, 1977) to allow such notices to be sent to a recipient sample rather than to all recipients. Subsequent reorganization and clarification of 45 CFR 250.90 have been made with the current regulation contained in 42 CFR 433, Subpart C. Section 901 of Public Law 96-398 added §1903(r) to title XIX of the Act, effective October 7, 1980. Section 1903(r) was amended by §9503(b) of Public Law 99-272 on April 7, 1988 and by §4753 of Public Law 105-33, effective January 1, 1998.

Section 1903(r) requires that all States with Medicaid programs have approved mechanized claims processing and information retrieval systems that are compatible with claims processing and information retrieval systems used in the administration of title XVIII of the Act. Section 4753 of Public Law 105-33 specifically states that compatibility requirements will include: 1) a uniform identification coding system for providers, other payees, and beneficiaries under titles XVIII and XIX; 2) provisions for liaison between States and carriers and intermediaries with agreements under title XVIII to facilitate timely exchange of appropriate data; and 3) provisions for exchange of data between the States and the Secretary with respect to persons sanctioned under titles XVIII or XIX. Also, §4753 of Public Law 105-33 requires that, effective for claims filed on or after January 1, 1999, the MMIS will provide electronic transmission of claims data in the format specified by the Secretary and consistent with the MSIS (Medicaid Statistical Information System) including detailed individual enrollee encounter data and other information that the Secretary may find necessary. The claims data format for MSIS electronic transmission is specified in part 2, §2700. Furthermore, §4753 eliminates all references to development and application of performance standards used to conduct periodic standards-based reviews of previously certified MMISs. The SPR (standard performance review) serves as an evaluation instrument in determining the extent to which an MMIS performance is sustained after the initial certification. The effective date for elimination of the SPR under §4753 of Public Law 105-33 is January 1, 1998.

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In addition, Subtitle F of Public Law 104-191 mandates that the Secretary of the Department of Health and Human Services adopt a wide range of national standards for the electronic exchange of health information. Standards are to be adopted for: 1) electronic transactions and data elements, 2) code sets, 3) unique health identifiers for individuals, providers, health plans, and employers, 4) security of health information, and 5) electronic signatures. The recommended standards for various types of standards mandated under Public Law 104-191 will be made available for public comment via a Notice of Proposed Rulemaking in the Federal Register. Once standards are published as a Final Rule in the Federal Register, States and all health related providers must implement standards within 2 years from the Federal Register publication date. The final standards will supersede any/all standards currently in place for electronic transactions and data elements.

11105 INTRODUCTION

An MMIS, once implemented and properly utilized by a State, becomes an important and comprehensive management tool for efficient, effective, and economical administration of a title XIX program. The MMIS referred to in this part is intended to identify successful automated program and administrative practices which increase the quality of services and reduce the costs of the State Medicaid program.

The systems approved for enhanced FFP have proven to be particularly effective tools in improving State management of its Medicaid program. They have enabled States to efficiently process claims, control program expenditures, monitor service utilization, and stay informed of program trends. These systems also provide data for Federal reporting needs.

The processes for approval of FFP at the 90- and 75-percent level have been established to encourage States to meet Federal MMIS system requirements. These processes and other applicable system requirements are described in this part.

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11110 DEFINITIONS

Certain definitions common to multiple programs which are administered by the Department of Health and Human Services and which are found at 45 CFR 95.605 have been included to eliminate redundant and/or conflicting definitions from regulations governing the acquisition of automatic data processing systems, equipment, and services.

A. Advance Planning Document (APD).--A written plan of action to acquire the proposed automated data processing (ADP) services or equipment. Additional APD content requirements, for acquisitions for which the State is requesting enhanced funding from title XIX, are contained in 42 CFR 433, Subpart C.

o "Implementation APD".--Shall include:

- Results of the activities conducted under a Planning APD, if any;

- Statement of needs and objectives;

- Requirements analysis, feasibility study, and a statement of alternative considerations including, where appropriate, a transfer of an existing system and an explanation of why such a transfer is not feasible if another alternative is identified;

- Cost benefit analysis;

- Personnel resource statement indicating availability of qualified and adequate staff, including a project director, to accomplish the project objectives;

- Detailed description of the nature and scope of the activities to be undertaken and the methods to be used to accomplish the project;

- Proposed activity schedule for the project;

- Proposed budget for the project;

- Statement indicating the period of time the State expects to use the equipment or system;

- Estimate of prospective cost distribution to the various State and Federal funding sources and the proposed procedures for distributing costs and;

- Statement setting forth the security and interface requirements to be employed and the system failure and disaster recovery procedures available.

o "Planning APD" and "APD Update" are defined in 45 CFR 95, Subpart F, and are not required for an MMIS implementation.

B. "Automatic Data Processing (ADP)".--Data processing performed by a system of electronic or electrical machines so interconnected and interacting as to minimize the need for human assistance or intervention.

o "ADP Equipment" or "Hardware".--Automatic equipment that accepts and stores data, performs calculations and other processing steps, and produces information.

o "ADP Services".--

- Services to operate ADP equipment, either by private sources or by employees of the State agency, or by State or local organizations other than the State agency; and/or

- Services provided by private sources or by employees of the State agency or by State and local organizations other than the State agency to perform such tasks as feasibility studies, system studies, system design efforts, development of system specifications, system analysis, programming, and system implementation.

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C. Certification Review.--The approval process by which HCFA determines if a State's system satisfies the approved APD, and/or if a State's title XIX mechanized claims processing and information retrieval system is operational and continuously meets requirements for FFP, as defined in §1903(a)(3) of the Act, 42 CFR 433, Subpart C, and this part of the manual.

D. Data Processing.--The preparation of source data or basic elements of information and their use according to precise rules or procedures to accomplish such operations as classifying, sorting, calculating, summarizing, recording, transmitting, information retrieval, and reporting.

E. Demonstrable Conceptual Equivalence.--A concept which permits States to illustrate that a system is technically different from the MMIS but still satisfies the objectives and functions of the MMIS, and is, therefore, its conceptual equivalent. (Note: A manual process does not meet this definition.)

F. Early and Periodic Screening, Diagnosis, and Treatment (EPSDT).--A type of medical service which provides early and periodic screening and diagnosis of eligible individuals under age 21 to ascertain their physical or mental defects. Health care, treatment, and other services are provided to correct or ameliorate defects and chronic conditions discovered, as provided in regulations. (See 42 CFR 441, Subpart B.)

G. Emergency Situation .--Is defined as a situation where:

o A State can demonstrate to the Department an immediate need to acquire ADP equipment or services in order to continue the operation of one or more of the Act programs covered by 45 CFR 95, Subpart F, and

o The State can clearly document that the need could not have been anticipated or planned for or that the State was prevented from following the prior approval requirements of 45 CFR 95.611.

The procedural requirements for requesting FFP in an emergency situation may be found in 45 CFR 95.624.

H. "Enhancement".--Modifications which change the functions of software and hardware beyond their original purposes, not just to correct errors or deficiencies which may have been present in the software or hardware, or to improve the operational performance of the software or hardware.

I. Feasibility Study.--A preliminary study to determine whether it is sufficiently probable that effective and efficient use of automated Medicaid systems including ADP equipment and operating systems can be made to warrant the substantial investment of staff, time, and money needed to acquire them.

o Requirements Analysis.--Determining and documenting the information needs and the functional and technical requirements the proposed computerized system must satisfy.

o Systems Analysis.--The examination of existing information flow and operational procedures within an organization. This analysis essentially consists of three basic phases: data gathering, or investigation of the present system and new information requirements; analysis of the data gathered in the investigation; and synthesis, or refitting of the parts and relationships uncovered through the analysis into an efficient system.

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J. Financial Participation (FFP).--The Federal Government's share of a State's expenditures under the Medicaid program. Under §1903 of the Act, 90 and 75 percent FFP is provided as enhanced funding for MMIS expenditures, and 50 percent FFP for all general administrative expenditures.

o Enhanced Matching Rate.--The higher than regular rate of FFP authorized by title XIX of the Act for the acquisition of services and equipment that conform to specific requirements designed to improve administration of the Medicaid program.

o Regular Matching Rate.--The normal rate of FFP authorized by title XIX of the Act for State and local agency administration of the Medicaid program.

K. Fiscal Agent.--A private contractor to the State, normally selected through a competitive procurement process, who operates all or part of the State's approved MMIS.

L. "Implementation".--The design, development and installation, but not operation, of a system. The following definitions are part of implementation.

o "Design" or "System Design".--A combination of narrative and diagrams describing the structure of a new or more efficient automatic data processing system. This includes the use of hardware to the extent necessary for the design phase.

o "Development".--The definition of system requirements, detailing of system and program specifications, programming, and testing. This includes the use of hardware to the extent necessary for the development phase.

o "Installation".--The integrated testing of programs and subsystems, system conversion, and turnover to operation status. This includes the use of hardware to the extent necessary for the installation phase.

M. Maintenance or Systems Maintenance.--The routine operational exercising and functioning of the system to keep it ready and fit for performing at the standard and condition for which it was approved, including change of system operator. Those normal ongoing or cyclical ADP activities which insure that data, files, and programs of the State's approved system are kept up to date and/or that errors are reduced.

N. Medicaid Agency.--The single State Agency (SA) administering or supervising the administration of a State Medicaid plan under §1902(a)(5) of the Act.

O. "Medicaid Management Information System (MMIS)".--A commonly accepted term for "Mechanized Claim Processing and Information Retrieval System" identified in §1903(a)(3) of the Act and defined in 42 CFR 433.111.

The MMIS is conventionally organized into six core subsystems or functional areas. They are: Recipient; Provider; Claims Processing; Reference File; Surveillance and Utilization Review; and Management and Administrative Reporting.

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P. "Medicaid Statistical Information System (MSIS)--Since 1972, HCFA has required annual submission of Form HCFA‑2082 from all States and Territories that operate Medicaid programs under title XIX of the Social Security Act. In 1984, the Medicaid Statistical Information System (MSIS) was approved as a reporting option. Under this option, States can submit person‑specific eligibility and paid claims files on magnetic tape instead of producing and submitting the printed (hard-copy) Form HCFA‑2082. Participation in the MSIS was voluntary until the passage of the Balanced Budget Act of 1997. This Act requires that States participate in MSIS, effective January 1, 1999.

Q. "Operation".--The automated processing of data used in the administration of State plans for title XIX of the Act. Operation includes the use of supplies, software, hardware, and personnel directly attributable to the functioning of the mechanized system. (See 42 CFR 433.112 and 42 CFR 433.116 for specific requirements.)

R. "Project".--An automated systems effort undertaken by the State to improve the administration and/or operation of one or more of its public assistance programs. For example, a State may undertake a comprehensive, integrated initiative in support of its Food Stamp Program and Medicaid programs' intake, eligibility and case management functions. A project may also be a less comprehensive activity such as office automation, enhancements to an existing system or an upgrade of computer hardware, or it may also be initial implementation and/or operation or replacement of an MMIS.

S. Provider.--Any individual or entity furnishing Medicaid services under an agreement with the Medicaid agency [as used in this Part, provisions to providers may apply to health plans].

T. Request for Proposal (RFP).--The document used for public solicitations of competitive proposals from qualified sources to supply ADP hardware, software, and other goods and services.

U. Replacement System.--An MMIS in which all six core subsystems are new and which has received prior HCFA approval because it is likely to be more efficient, economical, and effective in administering the State medical assistance plan than the system it replaces. It must meet all conditions of initial approval. (Note: Replacement of the operator of a system is not a replacement system in the MMIS context.)

V. Service Agreement.--The document signed by the State or local agency and the State or local Central Data Processing facility in accordance with which the latter agrees to provide data processing services to the former.

W. Shared On-Line System.--Data processing equipment, devices, programs, and stored data which may be accessed by two or more users utilizing either local or remote ability to interact with and under the control of a single central processing unit. Such a system can be used jointly between users within a State in the administration of such State's medical assistance plan.

X. "Software".--A set of computer programs, procedures, and associated documentation used to operate ADP hardware.

Y. State Plan.--The comprehensive written commitment by a Medicaid agency, submitted under §1902(a) of the Act and approved by HCFA, to administer or supervise administration of a Medicaid program in accordance with Federal and State requirements.

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Z. Third Party Liability (TPL).--The term indicates the legal responsibility of other entities or individuals to pay the medical claims of Medicaid recipients before the Medicaid program pays these claims. Medicaid is the payer of last resort. Among the more common third parties are private health insurance, employment-related health insurance, and medical support from absent parents. Every Medicaid jurisdiction is required by §1902(a)(25) of the Act to pursue the legal liability of third party payers. In a systems context, TPL usually refers only to those automated, TPL-related activities which are contained in core parts of the MMIS.

AA. Total Acquisition Cost".--Means all anticipated expenditures (including State staff costs) for planning and implementation for the project. For purposes of regulation (see 45 CFR 95, Subpart F), total acquisition cost and project cost are synonymous.

11115 OBJECTIVES

For title XIX purposes, "systems mechanization" and "mechanized claims processing and information retrieval systems" refer to the Medicaid Management Information System. The objectives of this system and its enhancements are as follows:

A. Program

o More accurate and timely claims processing;

o Reduction in program and administrative costs through more effective claims processing, utilization control, and third party liability pursuit; and

o Improved management of program and administrative costs.

B. Service

o Improved service and information to recipients;

o Reduced time to pay providers; and

o Improved response time to inquiries.

C. Operations

o Reduction in claims personnel requirements;

o Increased utilization of computer capability;

o Greater utilization of data base;

o Improved operational control and audit trails;

o Capability to handle increases in claims volume;

o Reduction of systems audit exceptions; and

o Compatibility with Medicare claim processing and information retrieval systems for the processing of Medicare claims.

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D. Management

o Timely and effective reports for management planning and control;

o Improved analyses for decision making;

o Improved ability to respond to request for special analyses; and

o Improved capability to support Federal reporting requirements.

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