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11200 APPLICABLE FEDERAL APPROVAL REQUIREMENTS

The most current Public Laws and Federal regulatory requirements, as well as the system requirements and performance standards identified here, form the basis upon which the design, development, installation, operation, and enhancement of an MMIS is evaluated for approval of FFP. For approval of FFP for the design, development, installation, and enhancement of an MMIS, the requirements vary with the rate of FFP being requested. For the 90 percent funding rate, all requests are subject to prior approval. For 75 and 50 percent funding, a request other than a sole source procurement is subject to prior approval when the estimated costs exceed the threshold amount found in 45 CFR 95.611(a), currently $5,000,000. For sole source procurements at the 75 and 50 percent rates, the threshold amount is currently $1,000,000 of combined State and Federal funds. Failure to secure the requisite prior approval results in disapproval of your request and, if you claim funding for such a request, disallowance of your claim for FFP. Approval of operational funding at the 75 percent rate for an initial or replacement MMIS are subject to an initial certification review as described in §§11240 through 11243.

Whenever HCFA modifies the requirements for systems under 42 CFR 433.112 or 433.116, the notification provisions of 42 CFR 433.123 are followed.

11205 90 PERCENT FFP - GENERAL REGULATORY REQUIREMENTS

FFP is available at 90 percent for expenditures for design, development, installation, or enhancement of a mechanized claims processing and information retrieval system. To receive 90 percent FFP, a system proposal described in the APD must be approved by HCFA prior to your expenditure of funds. HCFA approves the system proposal if the following conditions are met (see 42 CFR 433.112):

o HCFA determines the system is likely to provide more efficient, economical, and effective administration of the State plan.

o The system meets the system requirements and performance standards in Part 11, as periodically revised.

o The system is compatible with the claims processing and information retrieval systems used in the administration of Medicare for prompt eligibility verification and for processing claims for persons eligible for both programs.

o The system supports the data requirements of the Peer Review 0rganizations (PROs) established under Part B of title XI of the Act.

o The State owns any software designed, developed, installed or enhanced with 90 percent FFP.

o The Department has a royalty-free, nonexclusive, and irrevocable license to reproduce, publish, or otherwise use and authorize others to use for Federal Government purposes, software, modifications to software, and documentation that is designed, developed, installed or enhanced with 90 percent FFP.

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o The costs of the system are determined in accordance with OMB Circular No. A-87 as referenced in 45 CFR 74.171.

o The Medicaid agency agrees in writing to use the system for the period of time specified in the APD approved by HCFA or for any shorter period of time that HCFA determines justifies Federal funds invested.

o The Medicaid agency agrees in writing that the information in the system is safeguarded in accordance with 42 CFR 431.

o The pertinent requirements of 45 CFR 95.612 on disallowance and of 45 CFR 95.621 on system security apply.

Eligibility determination systems are not part of mechanized claims processing and information retrieval systems, MMIS, or enhancements to those systems, and are not eligible for 90 percent FFP for any APD approved on or after November 14, 1989. This effective date was established by regulation BQC-59-FC published on October 13, 1989 in 54 FR 41966.

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11210 75 PERCENT FFP - GENERAL REGULATORY REQUIREMENTS

The FFP is available at 75 percent of expenditures for operation of a mechanized claims processing and information retrieval system approved by HCFA. HCFA approves the system's operation if the following conditions are met (see 42 CFR 433.116):

o The applicable requirements of §11205 must be met.

o The complete system with all its component subsystems is and has been operating continuously, processing all claims types, during all periods for which 75 percent FFP is claimed.

o The system must provide individual notices, within 45 days of the payment of claims, to all or a sample group of the persons who received services under the plan. The notice "Explanation of Benefits (EOB)" must specify:

- The service(s) furnished;

- The names of the provider(s) furnishing the service(s);

- The date(s) on which the service(s) were furnished; and

- The amount of the payment(s) made under the plan for the service(s).

It must not specify confidential services (as defined by the State) and must not be sent if the only service furnished was confidential. The Department, while giving you flexibility in defining confidential services, expects that you exclude from EOBs only those particularly sensitive services for which disclosure violates a recipient's right to privacy, e.g., family planning services, venereal disease treatment.

o The system must provide both patient and provider profiles for program management and utilization review purposes.

o If you have a Medicaid fraud control unit certified under §1903(q) of the Act, the Medicaid agency must have procedures to assure that information on probable fraud and abuse that is obtained from, or developed by the system is made available to that unit.

o The pertinent requirements of 45 CFR 95.612 on disallowance and of 45 CFR 95.621 on system security apply.

o Eligibility determination is not part of the system operations approved for enhanced funding at 75 percent under 42 CFR 433, subpart C.

Automated eligibility determination systems approved or operating before November 14, 1989 do not qualify for FFP at 75 percent of expenditures on or after that date. Instead, these systems qualify for FFP at 50 percent of expenditures after that date.

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11215 APPROVAL OF MMIS SYSTEMS 07-98

11215 ACCESS FOR STATE AND FEDERAL INSPECTION

HCFA terminates FFP if the Medicaid agency fails to provide State and Federal representatives with full access to the system, including onsite inspection. HCFA may request such access at any time to determine whether conditions in 42 CFR 433, subpart C are being met.

11220 PROSPECTIVE APPROVAL OF ENHANCED FUNDING

In acquisitions where prior approval is required (see §11227), Departmental practice allows payment of FFP prospectively from the date of Departmental approval for implementation or operational costs of a system or enhancement when FFP for implementation or operation of the system or enhancement was not prior approved. FFP is allowed only for costs incurred after approval. The State must request approval of the system or enhancement and it must meet all requirements which it would have met if approved for implementation or operational FFP. (See §§11205 and 11210.) FFP at the 75 percent rate is also available for maintenance to an approved system. See §11200, §11238, and §11275 for the policy governing prior approval for this funding rate.

11225 CONSIDERATIONS AND OPTIONS

When you have determined the desirability of designing an MMIS or effecting system improvements which may lead to increased FFP, consider "demonstrable conceptual equivalence" and other options. The following are among options that may be considered:

o To claim the higher FFP under §1903(a)(3) of the Act, you need not have a single comprehensive claims processing and information retrieval system through which all claims for all types of service are processed. You may have multiple claims processing systems provided:

- They do not appreciably increase cost or detract from the primary benefits expressed in this part;

- Each system meets the established criteria in this part; and

- All systems feed into a single comprehensive utilization and management reporting system that meets the criteria established in this part. Under this approach, all of these components (subsystems) comprise the MMIS.

o Other mechanized information retrieval systems under title XIX, such as EPSDT, TPL, and Long Term Care, are eligible for the higher FFP allowed by §1903(a)(3) of the Act provided:

- You have an approved APD for the design, development, and installation of a mechanized claims processing and information retrieval system;

- The systems are used to store, retrieve, and produce utilization and management information about medical care and services which are required by the Medicaid agency and Federal Government for program administration and audit purposes;

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- None of the design and operational aspects of such information retrieval system violate other statutory criteria, such as compatibility with information retrieval systems used by Medicare;

- HCFA determines that such systems are likely to provide more efficient, economical, and effective administration of the plan; and

- All procedures that are established in 42 CFR 433, subpart C are followed (i.e., the submission of an APD, prior HCFA approval is obtained before the expenditure of any funds for MMIS to qualify for enhanced matching in these expenditures, etc.)

These additional systems are not part of the required MMIS but qualify for enhanced FFP as optional integral components of the approved system.

o When requesting certification under §11240 you should also be prepared to submit results of successful acceptance testing (and a copy of your official acceptance letter to the developer where a contractor is involved). Your acceptance test plan must be submitted to HCFA at least 6 months prior to the planned operational date. Copies of any subsequent revisions to the plan must also be forwarded to HCFA in advance of the operational date.

11227 ACQUISITION OF ADP EQUIPMENT AND SERVICES

Acquisitions of ADP equipment and services are governed by:

o For both competitive and/or non-competitive acquisitions to be funded at the 90 percent rate of reimbursement, the APD and the Detailed Implementation Schedule (DIS) describing the acquisition must receive prior approval by HCFA. Prior approval is also necessary for subsequent procurement instruments (RFP, contract, contract amendment, etc.) which exceed thresholds in 45 CFR 95.611(b). Failure to secure requisite approval by HCFA prior to the initiation of project activity and the State's expenditure of funds results in a disapproval of FFP for the acquisition. Additional FFP requested at the 90 percent rate, in excess of that originally estimated and approved for the acquisition or a schedule extension for major scheduled occurrences, requires submission of an amended APD and approval prior to the expenditure of the additional FFP. If prior approval was not received, §11220 may apply.

o For competitive acquisitions at the 75 and 50 percent rates of reimbursement, the rules are similar to those described above except that prior approval is not required for the APD and DIS if the total project cost is below the dollar thresholds set out in 45 CFR 95.611(a)(2) and (3). Currently, these thresholds are $5,000,000 in State and Federal funds. If cost of a project was originally below the threshold and later increases above the threshold, an APD must be submitted and approved for the excess cost over the threshold before the expenditure of those funds. Also, prior approval is not required for the RFP if the total project cost is below the thresholds set in 45 CFR 95.611(b)(1)and (2), currently $5,000,000 for acquisitions at the 50 percent rate and acquisitions at the 75 percent reimbursement rate. Amendment to a competed contract requires prior approval if above the threshold contained in 45 CFR 95.611(b), currently $1,000,000.

o For non-competitive acquisitions at the 75 and 50 percent rates, prior written approval is required if the total project cost is in excess of the dollar threshold found in 45 CFR 95.611(a)(4). Currently, the threshold amount is $1,000,000. Non-competitive acquisitions are only approved on an exception basis because the Federal Government's policy is to promote free and open competition.

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o For a contract amendment for acquisitions at the 75 or 50 percent rates, prior approval is required whenever the amendment cost exceeds the threshold contained in 45 CFR 95.611(b), currently $1,000,000, or a contract time extension of more than 120 calendar days.

11230 APPROVAL PROCESS AND DOCUMENTATION SUBMISSIONS

The approval process for you to follow in obtaining enhanced FFP under 42 CFR 433, subpart C is outlined in §§11235 through 11243. A graphic display of the procedural steps is contained in §11275. Forward required submittals to the appropriate HCFA Regional Administrator (RA) when title XIX only requests are involved.

11235 90 PERCENT FFP

The approval process for 90 percent FFP requires submission of the following documents as appropriate:

o Advance Planning Document (see §11236);

o Detailed Implementation Schedule (see §11237); and

o Contracted Services Documents (see §§11265 thru 11267).

11236 IMPLEMENTATION ADVANCE PLANNING DOCUMENT (APD)

Your submission of the APD informs HCFA of your plan for system acquisition or enhancement and your intent to claim enhanced FFP for design, development, installation, or enhancement of an MMIS. It is also used to indicate whether work is to be performed by a contractor or by State personnel. The information content of this document is specified in the definition of an APD. (See §11110.) A Planning APD and APD Update are not required for MMIS systems.

In addition, the Medicaid program specific agreements (see 42 CFR 433 112(b)(5) through (9)) must also be furnished.

HCFA approvals, disapprovals, comments, and/or suggestions relating to title XIX only requests are sent to you in writing, from the RA or a designee.

Reimbursable costs for 90 percent are listed in §11276.11.

If work is to be performed under contract, see §§11265 through 11267.

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11237 DETAILED IMPLEMENTATION SCHEDULE (DIS)

A State DIS is required for HCFA prior approval where it would be developed by both State and contractor staff. It must include a provision for identifying costs allocated to the design, development, and installation, or enhancement effort. In general, the DIS includes:

o Project Schedule and Deliverables,

o Project Resource Requirements,

o Project Organization and Staffing,

o Project Interface with the Affiliated Organizations and Systems,

o Project Reporting Requirements,

o Estimated Costs,

o System Acceptance Test Plan, and

o Conversion Plans, as required.

The DIS may be augmented by onsite reviews by authorized Federal or State program or audit personnel. The purposes of these onsite reviews are to assess:

o The current validity of the original plan developed in §11236;

o Progress against the DIS; and

o The validity of accounting and cost allocation records maintained.

Changes to your DIS are subject to prior approval.

11238 PROJECT REPORTING REQUIREMENTS

Periodic progress and status reports are essential to effective monitoring of your system development efforts as well as large scale ADP equipment acquisitions. Thus, at various points in the approval process, beginning with approval of your APD, you are put on notice as to the nature, extent, and timing of the reports you must submit. These reports may be augmented by onsite visits by Federal staff to verify the project's status and progress.

Given the diverse nature of the ADP projects involving title XIX, the degree of State reporting required for a specific ADP project is at the discretion of the HCFA approving component. At a bare minimum, advise the pertinent RO in writing that a project has been successfully completed, and if it has been completed on schedule and within the approved estimated cost.

You are also advised, at the time the project APD is approved, that change in the project's scope, duration, or cost requires submission of an amended APD for prior approval if thresholds of §11227 are exceeded.

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11240 APPROVAL OF MMIS SYSTEMS 07-98

11240 75 PERCENT FFP - FEDERAL CERTIFICATION REVIEW PROCESS

The Federal review process for FFP at 75 percent occurs in three phases:

o Preliminary evaluation of State furnished information and system documentation;

o A visit to the State for the purpose of onsite observation of ongoing system operations; and

o A post-site visit evaluation report of findings and recommendations.

11241 PRELIMINARY EVALUATION

The Federal review process is initiated when you submit a written statement of intent to claim enhanced FFP for operations and supporting systems documentation. The statement of intent must assure HCFA that system operations meet requirements of §11210 and that access to State and Federal inspection is assured as required in §11215. System operations must meet the system requirements and performance standards specified in Chapter 3 including:

o The date the complete system was officially accepted by the State as operational (include a copy of your official acceptance letter to the developer from the State on State letterhead);

o The dates of operations covered by any claim;

o Certification that requirements have been met for any and all periods of the claim; and

o Certification that EOBs have been issued within 45 days of the payment of a claim to each individual who is furnished services covered by the State plan or to each individual in a sample group of individuals who was furnished such services on a regular basis for the entire period claimed.

o To expedite the review, submit in advance of the certification review the following systems documentation:

- A system diagram identifying overall logic flow, systems functions, and their associated files;

- A narrative of each subsystem/functional area describing the incorporated functions;

- A list of all error codes with explanations and procedures for corrective actions;

- A list of reports by each subsystem/functional area (include a list that identifies the distribution of all systems generated reports);

- A substantive and representative sample of all reports;

- A system acceptance test plan; and

- The outcome of the test.

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The HCFA review team will initially evaluate your system documentation and information for completeness, equivalency to the system requirements contained in Chapter 3, and meeting the objectives and functions of the MMIS. If obvious deficiencies are noted, you may be requested to supply additional clarifying information. A minimum of 6 consecutive months of claims processing activity is required to adequately review the Surveillance and Utilization Review (SUR) reports.

NOTE: HCFA will not schedule a certification review unless all requirements of §11241 have been met. Of critical concern is the documented completion of successful acceptance testing and documented official acceptance of the system.

If, after preliminary review, your submittal is satisfactory, the HCFA review team, with input from the RO, will develop a response that specifies the date on which the onsite review of system operation will be accomplished, and the designation of the Federal team leader and members who will be the focal point for interface with your Medicaid agency.

A time schedule agenda will be identified which will enable you to make available those individuals involved with the subsystems of the State MMIS. The agenda will normally consist of an introductory meeting, a system overview presentation, a walk-through of the system operation, individual interviews of key Medicaid program staff, and selective validation of documents and controls associated with various functional areas of the MMIS operation. Your acceptance of the agenda will be obtained prior to on-site observation to insure availability of appropriate personnel and material.

Prior to the onsite certification review of your MMIS, you will be offered the opportunity to meet with the HCFA certification review team to discuss the certification review process and any areas of concern you may have.

11242 ONSITE OBSERVATION

The designated Federal team leader will conduct an entrance and exit conference with the designated State officials. In the entrance conference, the agenda and planned onsite activities will be reviewed to ensure that the planned schedule will be productive. Since the time of both Federal and State personnel is limited, the schedule may have to be revised before the review can begin.

The team leader will designate areas of responsibility to team members. Normally, assignments will be made with respect to the conventional organization of an MMIS into six core subsystems or functional areas; i.e., Recipient, Provider, Claims Processing, Reference File, SUR, and Management and Administrative Reporting.

You are expected to provide space for interviews and to designate key staff and/or contractor counterparts having particular expertise concerning specific system functions. Fiscal agents or contractors of your agency are approached only through the State Medicaid Program staff.

At the conclusion of the onsite review, the team leader will hold an exit conference with appropriate State officials. The team leader will discuss the activities that the HCFA review team has conducted and inform them of any additional information and/or documentation required.

The team leader will inform you that the team will develop a report of findings together with the recommended action for approval or disapproval of the State MMIS for the Administrator who will render a decision. No judgment as to approval or disapproval will be rendered at any time during the onsite review.

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11243 APPROVAL OF MMIS SYSTEMS 07-98

11243 POST-SITE EVALUATION

In the post-site evaluation, individual team members will independently analyze findings and, if necessary, conduct detailed studies prior to drafting an evaluation report covering their area of responsibility. These reports will be reviewed in conference, and the team leader will prepare a final report for signature by the Administrator or the Administrator's designee with a recommendation for approval or disapproval. The decision is forwarded to the appropriate HCFA RA who communicates the decision to your agency.

If HCFA disapproves the system or determines that the system met the requirements for initial approval on a date later than the date required under 42 CFR 433.116(a), the notice will include:

o The finding of fact upon which the determination was made; and

o The procedures for appeal of the determination in the context of a reconsideration of the resulting disallowance, in the event the full FFP rate is claimed, to the Departmental Appeals Board.

11250 REIMBURSABLE COSTS FOR STATE MMIS

Attributable costs reimbursable at the 90- and 75-percent FFP for State MMIS activities involving the design, development, installation, operation, and enhancement of an MMIS are found in §11276.11.

11255 TRANSITION FUNDING--90- AND 75-PERCENT FFP

Projects for designing, developing, installing, or enhancing an automated claims processing and information retrieval system will be funded during the transition between 90-percent FFP to 75-percent FFP as follows:

o The FFP at the 90-percent level is available for design, development, installation, or enhancement of each subsystem in an approved complete system meeting the requirements of §11205.

o The FFP at the 90 percent level for any subsystem terminates on the date the subsystem or enhancement to a subsystem is fully tested and subsequently you accept it.

o The FFP at the 50 percent level is available for operation of any subsystem or enhancement from that point that 90 percent FFP ceases until the complete system or enhancement is fully operational and meets the requirements of §11210.

o The FFP at the 75 percent level is available prospectively from the date the system or enhancement is approved and retroactively to the date that the complete approved system or enhancement is determined to be fully operational and meets all requirements of §11210. (See §11260 for the retroactive approval process.)

o The FFP at the 75 percent level is continuous if you replace the current operator of an approved system with a new operator of that same approved system provided no break in system operations occurs.

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07-98 APPROVAL OF MMIS SYSTEMS 11260

11260 RETROACTIVE 75 PERCENT FFP

A claim for retroactive enhanced FFP may be made for an approved period of systems operations. You can obtain increased operational FFP retroactive to the first quarter beginning after the date established by the Secretary that the system became operational. HCFA conducts a certification review prior to authorization of the retroactive FFP. In making a claim for retroactive 75 percent FFP, submit a written statement to the effect that your system operations have been reviewed by HCFA and meet all requirements in §§11210 and 11215, including the system requirements and performance standards of Chapter 3. Identify the reviewer and include the date of the review. Also include the following:

o The date the complete system was officially accepted as operational;

o The dates of the period of operations claimed;

o Certification that the requirements have been met for the entire period for which 75 percent is being claimed; and

o Certification that EOBs have been issued within 45 days of the payment of a claim to each individual who was furnished services covered by the State plan or to each individual in a sample group of individuals who furnished such services on a regular basis for the entire period claimed.

In all cases of retroactive FFP, you must agree in writing that the Federal Government has access to the system and associated documentation in all of its aspects including design, development, installation, and operations, regardless of source, including cost records of contractors and subcontractors as HCFA deems necessary.

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