



North Carolina Department of Health and Human Services

2001 Mail Service Center • Raleigh, North Carolina 27699-2001

Tel 919-733-4534 • Fax 919-715-4645

Beverly Eaves Perdue, Governor

Lanier M. Cansler, Secretary

October 1, 2009

Mrs. Marylin Chism, Director
Fiscal Research Division
619 Legislative Office Building
Raleigh, NC 27603

Dear Director Chism:

Pursuant to *Section 10.41.(d) and (e) of Session Law 2009-451 (Senate Bill 202)* please find enclosed the Replacement Medicaid Management Information System (MMIS) Quarterly Report. This third Quarterly Report contains a status update, financial update, and a schedule that incorporates federal and State project management and review requirements.

This Report is being forwarded to all recipients designated in the legislation. We appreciate the opportunity to submit this report. Should you have any questions regarding the report, please contact Edward Riley at (919) 647-8326.

Sincerely,

A handwritten signature in black ink, appearing to read "Lanier M. Cansler", written over a horizontal line.

Lanier M. Cansler

LMC:js

Enclosure

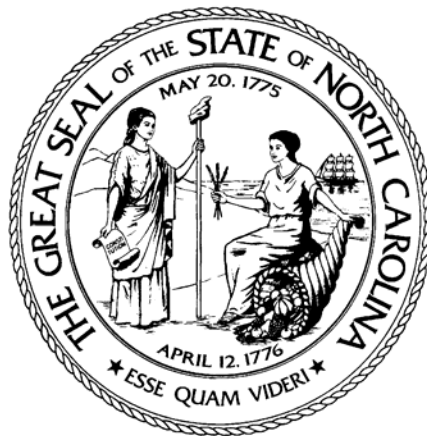
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NC MEDICAID MANAGEMENT INFORMATION SYSTEM+ (NCMMIS+) PROGRAM

Quarterly Report to the 2009 General Assembly



**State of North Carolina
Department of Health and Human Services**

October 1, 2009



**DEPARTMENT OF HEALTH AND HUMAN SERVICES
NCMMIS+ Program Quarterly Report**

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Table of Contents

INTRODUCTION	5
BACKGROUND	6
STATUS	7
RECENT UPDATES.....	8
FINANCIAL UPDATE	11
SCHEDULE.....	11



**DEPARTMENT OF HEALTH AND HUMAN SERVICES
NCMMIS+ Program Quarterly Report**

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DEPARTMENT OF HEALTH AND HUMAN SERVICES NCMMIS+ Program Quarterly Report

INTRODUCTION

In June 2008, the NC Legislature passed Session Law 2008-107, House Bill 2436, of which Sections 10.9.(c) and (d) required quarterly reporting in regard to the Replacement Medicaid Management Information System (MMIS). In accordance with this Law, the Department of Health and Human Services began submitting quarterly reports on March 1, 2009.

In August 2009, NC Legislature passed Session Law 2009-451 (Senate Bill 202) of which Part X. Department of Health and Human Services, Sections 10.41.(d) states, *The Department shall develop a comprehensive schedule for the development and implementation of the MMIS that fully incorporates federal and State project management and review requirements. The Department shall ensure that the schedule is as accurate as possible. Any changes to the design, development, and implementation schedule shall be reported as part of the Department's quarterly MMIS reporting requirements. The Department shall submit the schedule to the Chairs of the House of Representatives Committee on Appropriations and the House of Representatives Subcommittee on Health and Human Services, the Chairs of the Senate Committee on Appropriations and the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division. Any change to key milestones in either schedule shall be immediately reported to the Chairs of the House of Representatives Committee on Appropriations and the House of Representatives Subcommittee on Health and Human Services, the Chairs of the Senate Committee on Appropriations and the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division with a full explanation of the reason for the change.*

Within this Law, Section 10.41.(e) states, *Beginning July 1, 2009, the Department shall make quarterly reports on changes in the functionality and projected costs of the MMIS. The first quarterly submission shall contain a final report on the contract award to include total costs and functionality of the MMIS. Each report shall be made to the Chairs of the House of Representatives Committee on Appropriations and the House of Representatives Subcommittee on Health and Human Services, the Chairs of the Senate Committee on Appropriations and the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division. A copy of the final report on the contract award also shall be submitted to the Joint Legislative Commission on Governmental Operations.*

Session Law 2009-451 Section 10.41 continues the quarterly reporting requirements beginning July 1, 2009; therefore, quarterly reports will be sent on the first day of January, April, July, and October for each year during the life of the Replacement MMIS Project. These reports will reflect activities and financials from the previous quarter. During this transition to compliance with this Law, this report covers the 4-month period April–July 2009. The next quarterly reports will reflect the 3-month period August–November 2009, and subsequent 3-month periods will be reported thereafter.

Attached to this Report is the high-level design, development and installation schedule with the major milestones for the 32-month schedule. Details about the schedule are noted in this Report's "Schedule" section.



DEPARTMENT OF HEALTH AND HUMAN SERVICES NCMMIS+ Program Quarterly Report

BACKGROUND

Medicaid is a health insurance program for certain low income and needy people. It serves over one million people in the State, including children, the aged, blind and/or disabled, and people who are eligible to receive federally assisted income maintenance payments. For approximately 31 years, North Carolina has had the same vendor supporting the Medicaid claims processing system and associated outsourced business functions. In 1999, the same vendor was contracted to develop the Division of Mental Health, Developmental Disabilities and Substance Abuse Services' (DMH/DD/SAS) Integrated Payment and Reporting System (IPRS) using the Medicaid claims payment system as a prototype. In addition, the Department operates another claims processing solution to facilitate claims payment for the Division of Public Health (DPH).

DHHS recognized the need to improve business processes and services provided by merging several of its claims payment systems into a *multi-payer* solution. This DHHS plan was modeled from CMS' Medicaid Information Technology Architecture (MITA) and statewide enterprise architecture concepts. The processing of Medicaid and other healthcare claims directly supports DHHS' mission to serve the people of North Carolina by enabling individuals, families and communities to be healthy and secure and to achieve social and economic well being.

The NCMMIS+ Program was initiated in September 2006, to manage the activities related to the procurement and implementation of systems and services for a Replacement Medicaid Management Information System (MMIS) as well as systems and services for Reporting and Analytics (R&A) and an information technology (IT) system for the Division of Health Service Regulation (DHSR). The Replacement MMIS will expand claims payment functionality beyond Medicaid to include the Division of Public Health (DPH), the Migrant Health Program in the Office of Rural Health and Community Care (ORHCC), the Division of Medical Assistance (DMA), and the Division of Mental Health, Developmental Disabilities and Substance Abuse (DMH).

In July 2007, the Department of Health and Human Services (DHHS) posted a Request for Proposal (RFP) to fulfill the Centers for Medicare and Medicaid Services' (CMS') mandate that the State conduct an open procurement for a replacement of the Medicaid Management Information System (MMIS) and Fiscal Agent operations contract. Then, in June 2008, pursuant to the requirements of Section 10.40D.(a) (2) of Session Law 2008-107, DHHS amended the RFP to include the following payers: NC Health Choice, NC Kid's Care, Ticket to Work, Families Pay Part of the Cost of Services under the CAP-MR/DD, CAP Children's Program, and all relevant Medicaid waivers and Medicare 646 waiver as it applies to Medicaid eligibles.

The NCMMIS+ Program consists of three major functional groups that are to be procured and contracted separately, which will provide the State with flexibility in contracting, and provides for access to the knowledge and skills of multiple vendors, and will broaden the industry experience base in NC DHHS systems by providing opportunities for specialization that might attract new vendors or partnerships not seen in a monolithic acquisition. The three major functional groups are: 1) Core MMIS Replacement, 2) Reporting & Analytics and 3) DHSR.

There are two other major procurements in addition to the three mentioned above: 1) Test Management Services and 2) Independent Verification and Validation (IV&V). Test



DEPARTMENT OF HEALTH AND HUMAN SERVICES NCMMIS+ Program Quarterly Report

management of all three NCMMIS+ Program functional groups is outsourced to a single vendor that specializes in testing. The Test Management Vendor is responsible for managing the testing activities while primarily DHHS staff will perform the tests. Because of the close relationship among the Program's three functional groups, having one testing vendor is more efficient than procuring three different vendors. The Test Management Services contract was awarded to SysTest Labs on July 29, 2009.

CMS mandated that the State acquire IV&V (Independent Verification and Validation) services for the Replacement MMIS. DHHS issued an RFP to obtain IV&V services from a qualified vendor. The lead IV&V staff member will have the responsibility to oversee the Project and report directly to the Project Sponsor and to CMS. The IV&V vendor will back-up the Lead with supporting staff as needed for specific activities; for example, a DBA (Data Base Administrator) may be called in to review data base layouts, etc. DHHS will also use the IV&V services for the Reporting & Analytics, and DHSR projects. The IV&V vendor has been selected; contract award is pending CMS' approval.

STATUS

This is a recurring section that will appear in each quarterly update. This section typically reports activities and events that occurred during the *previous* quarter. This report reflects the transition to compliance with Session Law 2009-451; therefore, it covers the 4-month period, April–July 2009. Subsequent reports will be for 3-month periods.

Both *Early Implementation* projects—Provider Enrollment, Verification and Credentialing (EVC), and Retrospective Drug Utilization Review (RetroDUR)—were implemented on schedule in April 2009.

- The Provider Enrollment, Verification and Credentialing (EVC) system went live on April 20, 2009, and CSC began processing paper-based provider applications. The EVC system was built to store additional Provider information necessary to meet and maintain Program participation guidelines.

The EVC User Acceptance Testing (UAT) and Operational Transition Plans were successfully executed with approvals from applicable stakeholders. Provider EVC and call center staffs were hired and training completed. Temporary staff was added to the Early Implementation Provider Enrollment, Verification and Credentialing (EVC) staff to handle higher-than-anticipated call volumes.

The State approved the format and content of the Provider Verification Packets and CSC mailed the packets to the first set of providers on June 30th. Approximately nine thousand packets will be mailed to providers each month through January 2010, to complete the validation and credentialing of providers by April 2010.

- Early Implementation for Retrospective Drug Utilization Review (RetroDUR) went live on April 6, 2009. First Health completed the load of historical claims data from the legacy system in support of the requirement for 24 months of claims history. Reports were created for use during the April 2009, RetroDUR board meeting.

Provider outreach continues: CSC presented at the NC FARO Spring conference in Wilmington in April; CSC met with providers from the Medical Society and the North



DEPARTMENT OF HEALTH AND HUMAN SERVICES NCMMIS+ Program Quarterly Report

Carolina Hospital Association to provide updates on Project progress and respond to questions.

CSC provided a Multi-Payer Conceptual Design document which describes, at a high level, the significant business interactions across the Replacement MMIS. This conceptual design will mature throughout the Project as the builds that contain applicable multi-payer functionality are completed.

The Training and Demonstration environments for the baseline system were established. The State attended a walkthrough of Infrastructure deliverables in June at CSC's Data Center in Rensselaer Park, NY.

CSC has submitted a preliminary strategy document for compliance with HIPPA 5010 standards and proposed a high-level plan for achieving the required CMS deadlines.

DHHS has approved a number of project management deliverables: Change Management Plan, Risk & Issue Management Plan, Communications Plan, Project Management Plan, Software Development and Systems Engineering Plan, Earned Value Management System (EVMS) Performance Monitoring and Reporting Document and Security Plan. In addition, the State has approved the deliverable prototype for Requirement Tractability Matrix (RTM) and Business System Design (BSD).

Joint DHHS and CSC Requirement Clarification Workshop meetings were concluded for the builds that support Provider, Recipient, Eligibility Verification and Automated Voice Response System. Work has begun to compile the RTM and the BSD documents for these builds as planned. CSC pre-work has been completed for Pharmacy Claims Adjudication, Medical Claims Adjudication builds.

CSC typically provides for corporate-level Quality Assurance (QA) oversight after its projects are underway. For the Replacement MMIS Project, a CSC Delivery Assurance Review (DAR) team comprised of high-level staff from a CSC organization separate from its *Replacement MMIS Project* staff was established early in this effort. Onsite interviews were conducted with 7 State personnel, 31 CSC personnel and 12 subcontractors' personnel. The assessment was generally favorable with some areas noted for improvement. The DAR assessments are reported to CSC's Executive Management and an overview is shared with the State. Because of the Project's high-profile, the DAR team plans to conduct assessments at least every 6 months.

RECENT UPDATES

This is a recurring section that will appear in each quarterly update. This section reports activities and events that occurred after the end of the previous calendar quarter, but before development of the report.

CSC work is in progress to assess legacy system Edits & Audits in comparison to the State-provided business rules and coverage policy. Build coordination planning is underway to ensure the evaluation of the Edits & Audits are performed in concert with the Multi-Payer approach.

CSC pre-work has begun for the builds that support Non-Electronic Submissions, Financial Claims processing and Pend Resolution /Batch Interface /Reference. Requirements Clarification Workshops meetings have begun for Pharmacy Claims



DEPARTMENT OF HEALTH AND HUMAN SERVICES NCMMIS+ Program Quarterly Report

Adjudication, Medical Claims Adjudication. CSC pre-work has begun for EVS and AVRS in preparation for Technical Design meetings with the State.

CSC coding of the web panels for the Uniform Provider Enrollment application was completed. User Acceptance Testing (UAT) of provider interactive web enrollment was concluded on July 31, and results were reviewed and issues resolved. Pilot Testing with 34 providers from around the state successfully concluded on August 12.

On August 31, 2009 the above mentioned Uniform Provider Enrollment application was successfully implemented. Fifty-three (53) online applications were submitted the first two days of operations.

Budget and Forecasting Model

Due to the limitations of the legacy solution, the Division of Medical Assistance (DMA) uses an Excel™ spreadsheet for the budgeting and forecasting of its projected medical expenditures totaling more than \$9.9 Billion. These expenditures are categorized by Category of Services, Programs, Provider Codes, Procedure Codes, etc. The Division currently uses four models in budgeting and forecasting its projected medical expenditures: rate, forecast, budget and reporting. Many other variables are used to project expenditures, including eligibles, consumption and case mix, as well as macro-economic factors—including inflation and unemployment. The spreadsheets within the Excel™ file contain many formulas and data-entry points. A single error or omission in any of these complicated formulas or assumptions can result in errors totaling millions of dollars.

The nation's recent economic downturn has increased the necessity for the Department to promptly adjustment its internal Medicaid budget and forecast. This requires that DMA restructure its processes for Medicaid budgeting. The Department seeks immediate enhancement of its forecasting, budgeting and reporting processes, since this need must be met before the August 2011 implementation of the Replacement MMIS.

As such, DHHS pursued another Early Implementation of the Replacement MMIS with respect to the Budget and Forecasting Implementation (BFI) component of the Management and Reporting Subsystem (MARS) solution. On September 3, The North Carolina Office of Information Technology Services ("ITS"), Statewide IT Procurement (SITP) office approved the DHHS' request for a "waiver of competition" that permits the Department to forego competitive bidding and enter into an agreement with SAS for its provision of services for the BFI. ITS conditioned its approval on the requirements that (1) the software to be used in the project shall be obtained by the State through its existing Enterprise License Agreement with SAS, and (2) SAS' services shall be performed only by SAS personnel, rather than by any subcontractor or Alliance Partner of SAS.

ITS further concluded that, without certain changes, it could not approve DHHS' entry into the "SAS Solution Implementation Agreement" for Medicaid budgeting and forecasting services that DHHS recently negotiated with SAS. At minimum, ITS required the following changes to the agreement:

1. The project must be broken up into at least two distinct procurement phases, each requiring a separate Statement of Work (SOW):



DEPARTMENT OF HEALTH AND HUMAN SERVICES NCMMIS+ Program Quarterly Report

- a) Planning and Design to include the development of the SOW for the Execute and Build phase.
- b) Execute and Build phase to cover the scope of work, deliverables, milestones and payment defined in the Planning and Design phase.
2. The agreement must be revised to include payment by deliverables and milestones as opposed to time and materials. Prior to execution, the SOW must more extensively define the scope of work and address the assumptions between DHHS and SAS.
3. The Agreement must set forth a binding fixed cost for the deliverables and the work to be undertaken.

The Department notified SAS of SITP's stipulation and SAS responded on September 3, 2009, with its intent to continue negotiations by incorporating the changes SITP requested into an updated Statement(s) of Work. SAS is assisting the State in the development of an updated Statement of Work addressing the Planning and Design Phase based on a Fixed Price contract. When the negotiations are completed for the Planning and Design procurement phase, documentation will be forwarded to SITP for review and approval.

To ensure the Department has the resource bandwidth to support the project, short term staff will be hired for this effort. ITS will provide infrastructure support and solution hosting.

Reporting for this BFI Replacement MMIS Early Implementation will be provided for via the SB991 Tool for appropriate monitoring and oversight. In addition, monthly updates will be reported to NC MMIS Program Steering Committee. This implementation is scheduled to be completed within seven months.

System Freeze

One of the requirements for the Replacement MMIS is to ensure that, at a minimum, all functionality in the Legacy MMIS is maintained in the Replacement MMIS. To that end, the Legacy MMIS must be "frozen" for a period of time prior to the implementation of the Replacement MMIS to allow for the construction and testing of the Replacement MMIS without changes to the Legacy system.

Automated systems typically incur two stages of freezing 1) a soft freeze and 2) a hard freeze. The soft freeze date is the last day non-legislatively mandated changes may be implemented in the Legacy system; whereas the hard freeze date is the last day changes of any kind may be implemented. Although the MMIS freeze dates have not yet been established, the latest possible freeze dates without affecting the implementation date of the Replacement MMIS are June 30, 2010 for the soft freeze, and September 30, 2010 for the hard freeze. The actual freeze dates may be sooner than listed above following a full analysis by CSC and DHHS.

Requests for changes to the Legacy system will have to be carefully examined for cost, delays and overall impacts to the project. The cost of extending the Replacement phase is approximately \$2 M per month; and the excess cost of running the four (4) systems to be replaced (MMIS, IPRS, Purchase of Medical Care System [POMCS], and NC Health Choice) over the cost of operating the Replacement MMIS is \$2.5 M per month.



FINANCIAL UPDATE

Because of the transition to the Session Law 2009-45, the Department herein reports on the quarter March–June 2009, plus the month of July 2009; thereafter reports will reflect a 3-month span.

The current estimated cost of MMIS Design, Development and Installation (DDI) is \$114,704,822 of which \$13,717,683 is the necessary State matching funds. CMS funds most DDI activities at a 90/10 federal match. Some exceptions to the 90/10 include funding for training, furniture, indirect costs (overhead), and travel for non-project specific purposes; these activities receive 50/50 federal match. It should also be noted that non-Medicaid functionality (i.e. Public Health and Mental Health) are not funded by CMS. The “effective” federal funding rate for the MMIS DDI is approximately 88%. The \$114,704,822 total MMIS DDI cost includes \$22,000,000 in possible change orders approved by CMS, but will require contract amendments (should DHHS decide to spend any part of the \$22 million) and approval by the Statewide IT Procurement Office.

The total Program expenditures for State Fiscal Year (SFY) 08-09 were \$7,017,529, of which \$888,198 was required in matching State funds. These expenditures were much less than originally planned due to (1) delay in the originally planned start of the DDI Project due to the procurement time necessary to accommodate the additional requirements identified in *Section 10.40D. (a of Session Law 2008-107*, (2) the MMIS vendor (CSC) billing for activities later than projected in their proposal, and (3) a \$4.4 million June invoice paid in July. Unused State funds in the amount of \$3,775,615 were carried forward into fiscal year 09-10.

Program expenditures for SFY 09-10 are estimated to be \$64,240,989, which includes \$11,556,200 of State matching funds. With a carry forward of \$3,775,615 from SFY 08-09, \$7,780,585 in new State funds are required in SFY 09-10.

The financials details are provided in *Appendix A, Financial Update*.

SCHEDULE

As previously stated, this report includes the most recent high-level DDI schedule which reflects all major milestones during the 32-month schedule. The Replacement MMIS is scheduled to be operational on August 22, 2011. It should be noted that this schedule may be affected by federally mandated changes referred to as 5010 and ICD-10, described in the June 1, 2009 report.

There have been no changes to the schedule affecting the Project’s critical path as of the publication of this report. The following are milestone changes since the previously submitted schedule.

- Build 8: Non-Electronic Submissions SIT Complete

The start of the Non-Electronic Submissions (Build 8) effort was delayed at the State’s request to deconflict State resources that were simultaneously allocated for



DEPARTMENT OF HEALTH AND HUMAN SERVICES NCMMIS+ Program Quarterly Report

the Medical and Pharmacy Claims Adjudication (Builds 9 & 10) efforts. This change from a completion date of September 21, 2010, to October 25, 2010, will not affect other critical Project milestones.

- Build 9, Part 1: Pharmacy Claim Adjudication SIT Complete

Build 9, Part 1 has been eliminated as a separate milestone and combined with Build 10, Part 1: Medical Claim Adjudication SIT Complete, to more effectively use Project resources. Because Build 9, Part 1 has been combined with Build 10, Part 1, the completion date remains the date that Build 10, Part 1 was originally scheduled, i.e., December 14, 2010.

- Build 9, Part 2: Pharmacy Claim Adjudication UBAT Complete

Build 9, Part 2 has been eliminated as a separate milestone and combined with Build 10, Part 2: Medical Claim Adjudication UBAT Complete, to more effectively use Project resources. Because Build 9, Part 2 has been combined with Build 10, Part 2, the completion date remains the date that Build 10, Part 2 was originally scheduled, i.e., March 14, 2011.

Since Builds 9 & 10 address similar areas, separate Builds would have entailed the creation and review of redundant documentation. By combining these Builds, such redundancies are eliminated.

The MMIS Replacement schedule detail is provided in *Appendix B, Replacement MMIS Schedule*.

End of Report

APPENDIX – A

FINANCIAL UPDATE

Table 1 below represents total costs incurred since the inception of the NCMMIS+ Program in September 2006, through the month ending July 31, 2009. It also includes estimated costs through the implementation of the Replacement MMIS, plus one year of CMS certification activities, ending on August 31, 2012. Post-implementation maintenance and operational costs are not included in these costs.

The Program's overall estimated costs are running .04% below the ITS-approved budget.

Table 1: Program Costs from September 2006 - July 2009 & Estimates through CMS Certification (August 2012)

Project	Start Date	End Date	Expenditures to Date	ITS Approved Budget	Required State Funds	Current Estimated Costs	Variance
MMIS DDI	11/01/08	11/30/11	6,816,626	92,704,823	10,661,055	92,704,823	0
¹ MMIS DDI Changes	01/05/09	08/23/11	0	N/A	2,695,000	22,000,000	N/A
MMIS Early Operations	04/20/09	08/23/11	22,667	N/A	5,181,955	10,363,909	N/A
² R&A	11/01/08	08/31/11	REDACTED: SEE FOOTNOTE 2				
² DHSR	07/01/08	06/30/11					
Program-Level	02/01/07	08/31/12	5,467,935	11,151,565	2,007,282	11,131,634	-19,931
Business Initiatives							
Health Choice	12/01/08	02/28/10	426,203	787,638	78,764	787,638	0
Completed Projects			9,384,802	9,436,139	1,029,109	9,384,720	-51,419
Total Current Projects			REDACTED: SEE FOOTNOTE 2				
³ Total ITS-Approved	09/16/06	08/31/12					
Variance							-0.04%

Footnotes:

¹- This amount has been designated as a place holder for legislative and/or Federal changes that may be required during the next fiscal year. Federal match is already approved.

²- **Source Selection Sensitive.** The Reporting and Analytics (R&A) and the Division of Health Service Regulations (DHSR) projects are currently in the Procurement Phase. Since the State is conducting procurement activities, **these cost projections have been redacted.** Also, since a contract has not been executed, these projected costs are more speculative than the other estimates.

³- Total estimated cost of ITS-Approved Projects; i.e., the place-holder *MMIS DDI Changes* and the *MMIS Early Operations* costs are not included in this total.

Table 2 below actual expenditures for State Fiscal Year (SFY) 2008-2009.

Table 2: Funds Expended in SFY 2008-2009

Project	Estimated Expenditures	Estimated State Funds
MMIS DDI	6,289,963	723,346
¹ MMIS DDI Changes	0	0
MMIS Early Operations	1,781,830	890,915
² R&A	REDACTED: SEE FOOTNOTE 2	
² DHSR		
Program-Level	2,528,075	455,054
Business Initiatives		
MMIS Procurement	759,391	81,612
Health Choice	362,752	36,275
Completed Projects	446,288	44,629
Program Total	REDACTED: SEE FOOTNOTE 2	
State Appropriation Balance 7/1/08		4,260,540
Appropriations Needed this Fiscal Year		0
Estimated Carry Forward Appropriations 6/30/09		1,827,345

Footnotes:

¹- This amount has been designated as a place holder for legislative and/or Federal changes that may be required during the next fiscal year. Federal match is already approved.

²- **Source Selection Sensitive**. The Reporting and Analytics (R&A) and the Division of Health Service Regulations (DHSR) projects are currently in the Procurement Phase. Since the State is conducting procurement activities, **these cost projections have been redacted**. Also, since a contract has not been executed, these projected costs are more speculative than the other estimates.

Table 3 below represents State funds required for the current State Fiscal Year (SFY) 2009-2010. Vendor cost estimates in this table reflect revisions from the estimates reported last quarter due to: (1) realignment of the MMIS vendor (CSC) payment schedule and (2) actual contract amounts (versus estimates) for Testing and IV&V vendors selected in August 2009.

Table 3: State Funds Required for SFY 2009-2010

Project	Estimated Expenditures	Estimated State Funds
MMIS DDI	36,048,592	4,722,366
¹ MMIS DDI Changes	11,000,000	1,347,500
MMIS Early Operations	4,190,744	2,095,372
² R&A	REDACTED: SEE FOOTNOTE 2	
² DHSR		
Program-Level	2,654,306	469,812
Business Initiatives		
Health Choice	198,816	19,882
Program Total	REDACTED: SEE FOOTNOTE 2	
State Appropriation Balance 7/1/09		3,775,615
Appropriations Needed SFY 09-10		7,780,585
Estimated Carry Forward Appropriations 6/30/10		0

Footnotes:

¹- This amount has been designated as a place holder for legislative and/or Federal changes that may be required during the next fiscal year. Federal match is already approved.

²- **Source Selection Sensitive**. The Reporting and Analytics (R&A) and the Division of Health Service Regulations (DHSR) projects are currently in the Procurement Phase. Since the State is conducting procurement activities, **these cost projections have been redacted**. Also, since a contract has not been executed, these projected costs are more speculative than the other estimates.

Table 4 below represents State funds required for the next fiscal year (SFY 10-11).

Vendor cost estimates in this table reflect revisions from the estimates reported last quarter due to: (1) realignment of the MMIS vendor (CSC) payment schedule and (2) actual contract amounts (versus estimates) for Testing and IV&V vendors selected in August 2009.

Table 4: State Funds Required for SFY 2010-2011

Project	Estimated Expenditures	Estimated State Funds
MMIS DDI	36,139,674	4,734,297
¹ MMIS DDI Changes	6,000,000	735,000
MMIS Early Operations	3,833,219	1,916,610
² R&A	REDACTED: SEE FOOTNOTE 2	
² DHSR		
Program-Level	2,415,594	427,560
Business Initiatives		
Health Choice	0	0
Program Total	REDACTED: SEE FOOTNOTE 2	
State Appropriation Balance 7/1/10		0
Appropriations Needed SFY 10-11		10,169,072
Estimated Carry Forward Appropriations 6/30/11		0

Footnotes:

¹- This amount has been designated as a place holder for legislative and/or Federal changes that may be required during the next fiscal year. Federal match is already approved.

²- **Source Selection Sensitive**. The Reporting and Analytics (R&A) and the Division of Health Service Regulations (DHSR) projects are currently in the Procurement Phase. Since the State is conducting procurement activities, **these cost projections have been redacted**. Also, since a contract has not been executed, these projected costs are more speculative than the other estimates.

End of Appendix A



APPENDIX – B

REPLACEMENT MMIS SCHEDULE

Introduction

Section 10.9(c) of Session Law 2008-107, House Bill 2436, entitled “AN ACT TO MODIFY THE CURRENT OPERATIONS AND CAPITAL APPROPRIATIONS ACT OF 2007, TO AUTHORIZE INDEBTEDNESS FOR CAPITAL PROJECTS, AND TO MAKE VARIOUS TAX LAW AND FEE CHANGES,” requires the Department of Health and Human Services to submit a design, development and implementation schedule for the *Replacement MMIS* to the Chairs of the House of Representatives Committee on Appropriations, the House of Representatives Subcommittee on Health and Human Services, the Chairs of the Senate Committee on Appropriations, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division by March 1, 2009.

Section 10.41.(f) of Session 2009, Senate Bill 202, entitled “AN ACT TO MAKE BASE BUDGET APPROPRIATIONS FOR CURRENT OPERATIONS OF STATE DEPARTMENTS, INSTITUTIONS, AND AGENCIES, AND FOR OTHER PURPOSES,” required DHHS to submit quarterly reports beginning July 1, 2009, on changes in the functionality and projected costs of the MMIS.

In August 2009, NC Legislature passed Session Law 2009-451 (Senate Bill 202) of which Part X. Department of Health and Human Services, Sections 10.41.(e) states, *Beginning July 1, 2009, the Department shall make quarterly reports on changes in the functionality and projected costs of the MMIS...* Session Law 2008-107 required that reporting begin March 1, 2009, whereas Session Law 2009-451 stipulates that reporting begin July 1, 2009; therefore, quarterly reports compliant with the newer Law will be delivered on the first day of January, April, July, and October for each year during the life of the Replacement MMIS Project. These reports will reflect activities and financials from the previous quarter.

This October 1, 2009, Quarterly Report includes the most recent high-level design, development and installation schedule which reflects all major milestones during the 32-month schedule. The *Replacement MMIS* is scheduled to be operational on August 22, 2011.

It should be noted that this schedule may be affected by federally mandated changes. On January 16, 2009, US DHHS published two final rules to adopt updated HIPAA standards to the Electronic Transaction Standards, and adoption of the ICD-10 code set. These legislative changes are commonly referred to as 5010 and ICD-10. A summary of these changes is contained in the June 1, 2009 Quarterly Report document.



DESIGN, DEVELOPMENT AND IMPLEMENTATION REPLACEMENT MMIS SCHEDULE

Build Number	Key Milestone	Planned Date	Actual Date
	Award Announcement /Contract Signed	December 22, 2008	December 22, 2008
	Project Kickoff Meeting	January 5, 2009	January 5, 2009
2	Setup Baseline System Replica Environment Complete	March 3, 2009	March 3, 2009
	CSC Permanent Facility Ready for Early Occupancy	March 5, 2009	March 5, 2009
1	Project Management Portal (NCTracks) Complete	March 26, 2009	March 26, 2009
4.3	RetroDUR Early Implementation	April 6, 2009	April 6, 2009
	Final Baseline Integrated Master Schedule Submitted to the State	April 9, 2009	April 9, 2009
4.1	Provider Early Implementation Operational for: Enrollment, Verification and Credentialing	April 20, 2009	April 20, 2009
	NCID Framework Complete	April 24, 2009	April 24, 2009
	Final Baseline Integrated Master Schedule Accepted by the State	April 27, 2009	April 24, 2009
3	Install Imaging/ Retrieval/ Printing Equipment	June 12, 2009	May 22, 2009
	Configuration Management Plan Complete	June 25, 2009	June 8, 2009
	Master Test and Quality Assurance Plan Complete	October 2, 2009	
	Business Continuity/Disaster Recovery Plan Complete	October 7, 2009	
0	Multi-payer Foundation Complete	March 22, 2010	
6	Recipient SIT Complete	July 21, 2010	
5	Provider SIT Complete	August 18, 2010	
7	Eligibility Verification SIT Complete	August 20, 2010	
6	Recipient UBAT Complete	September 13, 2010	
5	Provider UBAT Complete	October 20, 2010	
	OMMISS Completes Development of UAT Scenarios	September 30, 2010	
7	Eligibility Verification UBAT Complete	October 29, 2010	
8	Non-Electronic Submissions SIT Complete	October 25, 2010	
11	Financial Claims Processing SIT Complete	January 13, 2011	
14	Pend Resolution/Batch Interfaces/Reference SIT Complete	January 5, 2011	
17	Call Center SIT Complete	December 9, 2010	
18	Automated Voice Response System/Subsystem Reporting SIT Complete	January 28, 2011	
12	Prior Authorization SIT Complete	February 8, 2011	
8	Non-Electronic Submissions UBAT Complete	November 22, 2010	
9/10	Medical/Pharmacy Claim Adjudication SIT Complete	December 14, 2010	
15	Financial Transactions/MAR SIT Complete	February 2, 2011	
	Final SIT Completed	January 25, 2011	
16	Health Check/Drug Rebate (EPSDT) SIT Complete	February 1, 2011	
13	Managed Care/TPL SIT Complete	February 23, 2011	
9/10	Medical/Pharmacy Claim Adjudication UBAT Complete	March 14, 2011	
	User Acceptance Test (UAT) Completed	June 7, 2011	
	Training and Documentation Complete	March 11, 2011	
	Final Data Conversion Complete	July 20, 2011	
	Production Simulation Test (PST) Complete	August 11, 2011	
	Replacement MMIS Operational	August 22, 2011	

End of Appendix B