



AHCCCS

Our first care is your health care

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM

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RECEIVED

The Honorable Timothy S. Bee, President
Arizona State Senate
1700 W. Washington
Phoenix, AZ 85007

OFFICE OF THE PRESIDENT

The Honorable James P. Weiers
Speaker of the House
Arizona House of Representatives
1700 W. Washington
Phoenix, AZ 85007

The Honorable Robert Burns
Chairman of the Senate Appropriations Committee
Arizona State Senate
1700 W. Washington
Phoenix, AZ 85007

The Honorable Russell Pearce
Chairman of the House Appropriations Committee
Arizona House of Representatives
1700 W. Washington
Phoenix, AZ 85007

Dear President Bee, Speaker Weiers and Chairmen Burns and Pearce:

Pursuant to A.R.S. §36-2925. subsection H, AHCCCS is submitting this status report on the agreement between AHCCCS and the State of Hawaii for data processing activities using the AHCCCS Prepaid Medicaid Management Information System (PMMIS).

This report summarizes the financial and operational activities for the current Interstate Agreement (ISA 3) between AHCCCS and the Med-QUEST Division/Department of Human Services for Hawaii which began in 1999. The prior two ISAs have been completed and have been recapped in prior reports.

The seven major "phases" of ISA 3 are as follows:

1. Design, Development and Implementation of the PMMIS Managed Care Module
2. Design, Development and Implementation of the Fee-For-Service Module
3. Provision of Ongoing Hawaii Operations and Maintenance Support

4. Hawaii-Arizona Health Insurance Portability and Accountability Act of 1996 (HIPAA Implementation) including the development and implementation of the National Provider Identifier (NPI) requirements
5. Design, Development and Implementation of the Executive Information System/Decision Support System (EIS/DSS)
6. Design, Development and Implementation of Medicaid Information Technology Architecture (MITA)
7. Design, Development and Implementation of HIPAA Standards, Second Generation.

The following briefly recaps the operational activities of each of the phases along with the revenue and expenditure activity for Fiscal Year 2008.

In accordance with A.R.S. § 36-2927 Intergovernmental Services Funds have been set up to deposit the monies received from Hawaii and to account for the expenditures that are incurred on its behalf. The attached Chart 1 summarizes the revenues and expenditures of monies from these funds for Fiscal Year 2008.

Design, Development and Implementation – Managed Care

This phase began in November 1999 and was implemented by Hawaii in December 2000. Its purpose was to modify the Arizona PMMIS system to allow for the processing of Hawaii information as well as upgrading and updating AHCCCS' system to accommodate new federal reporting requirements.

Design, Development and Implementation – Fee-For-Service

This phase began in June 2001 and was implemented in November of 2002. The purpose of this phase was to design, develop, and implement enhancements to the claims processing module as well as modifications to the existing managed care functionality of PMMIS for Hawaii's use.

Ongoing Hawaii Operations and Maintenance Support

Once PMMIS went live in Hawaii, Arizona began providing ongoing operations and maintenance for the system. Hawaii is charged for work done by Arizona Information Technology (IT) staff and independent contractors, a designated percentage of other specified AHCCCS personnel in IT, direct Hawaii costs, and a portion of AHCCCS indirect operating costs which benefit the project.

Hawaii-Arizona HIPAA

Hawaii and Arizona had a joint Advanced Planning Document (APD) for both States to perform the activities necessary to implement the Health Insurance Portability and Accountability Act of 1996 (HIPAA) requirements at a mixture of federal financial participation rates. The APD amount was for \$5,217, 211 for Hawaii expenditures paid locally here in Arizona and \$8,512,304

for Arizona costs. Fiscal Year 2008 Arizona expenditures totaled \$599,194 which equates to \$71,203 in State funds due to the various federal fund matches and this APD was closed in June.

Hawaii-Arizona NPI

In September of 2006 the states received approval of a joint Implementation Advance Planning Document (IAPD) from CMS for enhanced funding towards modification of their Medicaid Management Information Systems to come into compliance with the National Provider Identifier (NPI) requirements of HIPAA. The IAPD approved an Arizona total computable budget of \$1,152,044 and a Hawaii total computable budget of \$980,650 of which \$ 756,250 was allocated for Hawaii expenditures to be paid from Arizona. For Fiscal Year 2008, Arizona expenditures totaled \$192,235, of which, \$19,223 were State funds. This brought the total funds expended in this project to \$278,936 or \$27,894 in State funds.

Arizona-Hawaii EIS/DSS (Executive Information System/Decision Support System)

Phase I of the EIS/DSS Advanced Planning Document was approved for Arizona in 2004. This was to design, develop and implement an Executive Information System/Decision Support System which would develop a more efficient way to extract information requested. An APDU was approved in 2005 which was for an updated project implementation schedule and an adjustment to project costs to reflect actual costs in the contract awarded to EDS (Electronic Data Systems) for developing and implementing the DSS. A further APDU was approved in 2006 to include additional funds as well as \$50,000 for a requirements analysis for Hawaii. In April of 2008, another APDU was approved to reflect Phase III of the project bringing Hawaii's total approval to \$1,470,000 (\$1,390,000 to be paid from Arizona) and the Arizona total computable budget to \$5,698, 190. For Fiscal Year 2008 Arizona expenditures for Phases I and II were \$76,749 (State share of \$7,675) and \$39,379 (State share of \$5,138) for Phase III.

Arizona-Hawaii MITA (Medicaid Information Technology Architecture)

During 2008, Arizona and Hawaii received approval from CMS to prepare a Planning Advance Planning Document (PAPD) to perform a Medicaid Information Technology Architecture (MITA) State Self-Assessment. This process was to promote improvements in Medicaid information technology planning on a program-wide or enterprise-wide level. This PAPD would allow the states to document current business processes, map them to the appropriate MITA capability and maturity matrices and begin development of a MITA Transition Plan. A total of \$1,600,000 in total computable costs was approved (\$800,000 for each state). For FY2008, Arizona expended \$59,000 in total computable costs for a State share of \$5,900.

Arizona-Hawaii HIPAA Standards, Second Generation

In May 2008, Arizona and Hawaii received approval for a PAPD to begin planning and assessment activities related to the adoption of the next mandated versions of the electronic Transaction and Code Set (TCS) standards under the Health Insurance Portability and Accountability Act of 1996 (HIPAA). This included the impact and requirements analysis related to design, development and implementation of enhancements to the Medicaid Management Information System (MMIS) to implement these standards. The approvals were \$1,075,466 total computable for Arizona and \$607,213 total computable for Hawaii based on a

mixture of FFP percentages. No expenditures were made during FY08 so we will report more on this in next year's letter.

HAPA Savings

Because of the HAPA project, Arizona has benefited through obtaining enhanced funding as well as the sharing of both direct and indirect costs. A separate fund was set up to capture the dollars attributed to the savings/benefits achieved because of the project. The Fiscal Year 2008 financial activities of this fund (Fund 2439) are illustrated on Chart 1A.

In FY2009, the agency plans on spending revenues generated and a portion of the fund balance for critical technology equipment replacements and programming for projects such as HIPAA 2nd Generation, MITA, NPI, ACE, Imaging, Business Continuity, Virtual Office and the Decision Support System. By utilizing this fund, we are able to lessen expenditures from the General Fund in an ongoing effort to reduce expenditures due to continued budget constraints. Additionally, we anticipate part of the savings in the account will be given to the State to help with the budget shortfall.

Project Summary

We continue with ongoing operations and maintenance work as well as working on all the other projects as indicated above. Both states continue to work cooperatively and both benefit by improving business knowledge and processes, efficiencies, as well as a stronger infrastructure. Hawaii continues to share in the costs of modifications to the majority of subsystems as well as certain other expenditures which result in a reduction of costs to AHCCCS. This has enabled AHCCCS to maintain the level of service required for our increasing membership along with making Federal and State mandated system requirements with less contribution from the General Fund than would otherwise been necessary.

Everyone remains pleased with the results of the project. Arizona has been able to receive enhanced funding from CMS for many of its information technology activities as well as share the maintenance and development of PMMIS/HPMMIS hardware and software costs. We continue to share ideas, methodologies and strategies and believe this is a good model for potential future partnerships for other state joint ventures.

If you have any questions, please feel free to contact me at (602) 417-4776.

Sincerely,



James Wang
AHCCCS, Assistant Director/Chief Information Officer

- C. James Apperson, Director, Governor's Office of Strategic Planning and Budgeting
- Bret Cloninger, Analyst, Governor's Office of Strategic Planning and Budgeting
- Richard Stavneak, Director, Joint Legislative Budget Committee

AHCCCS Hawaii Intergovernmental Service Funds
Revenues/Expenditures and Fund Balance
Fiscal Year 2008
Chart 1

Chart 1A

<i>Revenues/Expenditures</i>	<i>Fund 2439-HAPA Savings</i>		<i>Fund Balance</i>	
Revenues				
Indirect Transfers In*	\$	263,076	Beginning Fund Balance FY 2008	\$ 2,170,805
Personal Services & ERE**		392,763		
		<u>655,839</u>	Expenditures in Excess of Revenues	<u>(446,655)</u>
Expenditures				
Salary & ERE		1,102,494	Ending Fund Balance FY 2008	<u>\$ 1,724,151</u>
Other Professional & Outside Services				
Travel - In-State				
External Programming - Mainframe				
Repair & Maintenance				
Software Support & Maintenance				
Capital Equipment				
Non Capital Equipment				
Operating Transfers				
		<u>1,102,494</u>		
Expenditures in Excess of Revenues	\$	<u>(446,655)</u>		

* Designated AHCCCS Operating Costs which are allocated and charged to Hawaii
 **Portion of employees' salaries representing work done on the HAPA project charged back to Hawaii

Chart 1B

<i>Revenues/Expenditures</i>	<i>Fund 2442-ISA #3 (DDI, Ongoing, HIPAA, NPI, DSS)</i>		<i>Fund Balance</i>	
Revenues				
Advanced from HI for expenditures	\$	8,137,454	8137454 Beginning Fund Balance FY 2008	\$ 1,491,683
Interest earned on HI fund balance		41,105	41105.05	
		<u>8,178,559</u>	Expenditures in Excess of Revenues	<u>(319,181)</u>
Expenditures				
Personal Services & ERE		3,145,098	Ending Fund Balance FY 2008	<u>\$ 1,172,502</u>
Professional & Outside Services		10,253		
External Programming-Mainframe		546,795		
Travel		3,098		
Internal Service-Data Processing		2,983,569		
Software Support & Maintenance				
Capital & Non Capital Equipment		714,097		
Indirect Cost Transfers Out		915,012		
Other		179,817		
		<u>8,497,740</u>		
Expenditures in Excess of Revenues	\$	<u>(319,181)</u>		

Note: This fund is comprised of deposits from Hawaii and is to be used for Hawaii's share of PMMIS and other expenditures.