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TESTIMONY

BILL: Assembly Bill 255

HEALTH CARE FINANCING AND POLICY DIVISION

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Good Morning, Chairman Raggio and members of the Senate Finance Committee. I am Debra King, Chief Financial Officer of the Division of Health Care Financing and Policy (DHCFP). With me is Mel Rosenberg, the Division's Chief of Information Technology. In the audience we have John Whaley the Division lead for the Project and Ray Mendez, DOIT Project Manager.

I am here today to provide testimony regarding Assembly Bill 255 which extends the reversion date of the appropriation made during the previous Legislative session to the Department of Human Resources for the Medicaid Management Information System (MMIS). This bill was

requested by DHCFP to allow completion of their MMIS implementation.

Page one of your handout indicates the original project timeline and costs for the MMIS implementation. You will note DHCFP had initially planned to begin the Design, Development and Implementation (DDI) phase in July 2001 with project implementation occurring in July 2004. Total cost of the DDI phase was projected at \$23.8 million. The project is funded with 90 percent federal funding and 10 percent state funding. The 2001 Legislative Session provided a general fund appropriation of \$2,090,840 to begin the DDI of the MMIS. It was anticipated an additional general fund appropriation of \$452,731 would be needed to complete the project in SFY 04. This additional appropriation is no longer needed.

The DDI contract was not awarded until September 2001 with work beginning in October 2001. The project implementation timeline was accelerated to October 1, 2003 to avoid the need to modify the existing

legacy system to become HIPAA compliant. It was estimated that modifications would cost approximately \$10 million and would only have been used from October 2003 until July 2004 when the MMIS was fully implemented. The Division elected to accelerate implementation to avoid these additional costs.

As a result of the delay in the contract award and the acceleration of the implementation timeline, the initially projected two year implementation has been shortened to twelve months. The total costs of the implementation (excluding operating costs) are now estimated to be \$20.1 million, a reduction of \$3.7 million from the original estimate.

While this accelerated timeline has been challenging to all participants, the Division was able to meet the first major milestone on February 1, 2003 with the implementation of the Pharmacy Point of Sale (POS) system. The POS system was successfully implemented with a minimum of problems. The POS system did identify existing problems

with our third party liability data which has been resolved for POS and will be resolved for MMIS prior to full implementation.

At this point in time, the project has not missed any critical deadlines, and is under the total projected budget. While the timeline for individual deliverables may not have been met, none of the delayed deliverables are in the projects critical path. Pages two through four of your handout provide the major project milestones.

Thank you for the opportunity to provide testimony regarding assembly Bill 255. I would be pleased to answer any questions the committee may have at this time.