HB 1213

Department of Legislative Services

Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 1213 (Delegate Mizeur)
Health and Government Operations

The 21st Century Health Eligibility Systems Act

This bill requires, by December 31, 2012, and subject to the limitations of the State budget, that (1) the Department of Health and Mental Hygiene (DHMH) update the Medicaid Management Information Systems (MMIS); and (2) the Department of Human Resources (DHR) update its Medicaid eligibility systems. DHMH, in consultation with DHR, must report on the progress in meeting the requirements of the bill by each January 31 from 2010 through 2012.

Fiscal Summary

State Effect: General and federal fund expenditures for DHR increase by as much as $150 million from FY 2010 through FY 2013 to update the Client Automated Resource and Eligibility System (CARES). Federal matching funds will be available for a portion of these expenses, but the exact proportion cannot be reliably estimated at this time. DHMH is currently beginning the process of replacing MMIS, a project expected to cost at least $40 to $80 million at roughly an 87% federal matching rate. This project will cost more to the extent DHMH concurrently updates a portion of its Medicaid eligibility system. No effect on revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Background:

Department of Health and Mental Hygiene: DHMH is in the preliminary stages of updating MMIS, the Medicaid claims processing and information retrieval system. The process to update MMIS is called the Medicaid Information Technology Architecture (MITA) Initiative, a national framework to support improved systems development and health care management.

Since the 1970s, the federal government has required states to have a certified MMIS to mechanize the claims processing and information retrievals. States receive a 90% federal matching rate for the design, development, or installation of MMIS and a 75% matching rate for operations-related costs.

The State's current MMIS is outdated for a number of reasons. The software systems technology is 30 years old, and the system was designed to handle $300,000 in claims per month instead of the millions of dollars per month currently being processed. Also, the current system is costly to maintain. DHMH can only get limited information out of MMIS and has difficulty amending the system to address changes to Medicaid programs.

The fiscal 2009 budget includes $1.6 million for DHMH to work with consultants to prepare an advanced planning document for the new MMIS, which will be submitted to the Centers for Medicare and Medicaid Services (CMS) by mid-April. After receiving CMS approval of the advanced planning document, DHMH will draft a request for proposal for CMS approval, which DHMH expects will be approved by November 2009. DHMH estimates the MMIS contract will be in place by early fiscal 2011.

DHMH estimates the project will take 30 months for design and implementation (July 2010 through December 2012). Other states have spent between $40 and $80 million, at a roughly 87% federal match (adjusted for populations that would not qualify for the full 90% federal match). State support of the project could therefore range from $5.2 to $10.4 million. The project is expected to exceed these estimates as DHMH is planning to update some portion of the eligibility systems at the same time.

Department of Human Resources: DHR's major information technology system for Medicaid eligibility is the Client Automated Resource and Eligibility System (CARES). Developed in the 1990s, CARES allows eligibility workers in the local departments of social services to determine eligibility for Medicaid and other programs such as Temporary Assistance to Needy Families (TANF) and food stamps. CARES also allows payment of benefits to recipients. Some funding has been provided to maintain CARES in recent years, but there are currently no plans to upgrade or replace the system.

Medicaid Coverage of Immigrants: As mentioned in the preamble to the bill, the Immigrant Children's Health Improvement Act, part of the federal Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA), permits states to cover legal immigrant children and pregnant women during their first five years in the country using federal matching funds. From 1996 until passage of CHIPRA in February 2009, states were prohibited from providing federally funded Medicaid and Children's Health Insurance Program coverage to this population. About 18 states, including Maryland, provided this coverage anyway, using state-only funding. In fiscal 2009, $6.1 million in general funds was allocated for these services. The Governor's proposed fiscal 2010 budget includes $6.5 million in general funds for these services. Effective April 1, 2009, Maryland can receive a 50% federal match for Medicaid enrollees and a 65% federal match for Maryland Children's Health Program (MCHP) enrollees.

State Expenditures: DHR expenditures increase by as much as $150 million over fiscal 2010 through the first half of fiscal 2013 to update CARES. This estimate is based on expenses incurred by Pennsylvania to update its Medicaid eligibility systems. Federal matching funds will be available for a portion of these expenses, but the exact proportion will vary based on how expenses are allocated among CARES-related programs. The portion of the update dealing with Medicaid eligibility is anticipated to receive a 50% federal match.

DHMH has begun replacement of MMIS, a project anticipated to be completed as early as December 2012 at an estimated cost of at least $40 to $80 million (approximately 87% federal funds). To the extent the bill requires DHMH to expedite or expand the scope of its current plans, DHMH expenditures may increase.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Georgetown University Health Policy Institute Center for Children and Families, Department of Human Resources, Department of Health and Mental Hygiene, Department of Legislative Services

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