

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1167
Health

(Chair, Health Committee and Delegate Cullison)

Maryland Department of Health - Medicaid Management Information System -
Mainframe System Replacement

This bill requires the Maryland Department of Health (MDH) to procure a replacement system for the State's Medicaid Management Information System (MMIS). By January 1, 2027, MDH must integrate the replacement system with the Medicaid Enterprise System. By January 1, 2028, MDH must transition all department applications from the Annapolis Data Center to the replacement system and decommission the legacy MMIS on completion of the transition. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: Medicaid expenditures (100% general funds) increase by a *significant* amount, likely in excess of \$100.0 million, in FY 2027 and 2028 to procure an MMIS replacement and transition to the new system, although it is highly unlikely that a new system can be completed within the timeframe specified, as discussed below. Federal financial participation (FFP) cannot be secured for the project within the specified timeframe.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: A replacement for MMIS must (1) promote payment accuracy, system security and performance, and responsiveness and (2) modernize the current system's outdated technological infrastructure, subject to approval by the federal Centers for

Medicare and Medicaid Services (CMS). The replacement system must support, at a minimum, the functionalities of the existing system, including provider enrollment; medical, dental, and pharmacy claims processing; beneficiary inquiries; data reporting; and audit functions in accordance with CMS and other applicable federal requirements.

Current Law: MMIS is an integrated group of procedures and computer processing operations (subsystems). Under federal regulations, the objectives of MMIS include program control and administrative costs; service to recipients, providers, and inquiries; operations of claims control and computer capabilities; and management reporting for planning and control. States may receive 90% FFP for design, development, or installation, and 75% FFP for operation of state mechanized claims processing and information retrieval systems.

State Fiscal Effect: MDH advises that successfully executing MMIS replacement requires engaging a vendor with extensive experience in Medicaid and a base MMIS solution certified by CMS. Due to the project's scale and complexity, the vendor selection process must be competitive and carefully managed. MMIS replacement must go through the required Maryland procurement processes, the mandatory CMS review process (required to receive FFP), as well as system implementation development and testing stages, which cannot be accomplished within the timeframe specified in the bill.

Planning to replace the legacy MMIS system (which dates to the 1990s) first began in 2008, but the process never advanced to the development or procurement stage and remained dormant for many years. At the time, the estimated cost to replace the legacy system was \$111 million. MDH advises that it has now established an overall MMIS modernization roadmap, including MMIS replacement. MDH has neither requested nor received State or federal funding for a replacement MMIS. Funding associated with project planning for MMIS replacement has been approved for fiscal 2027. However, funding associated with implementation of an MMIS replacement would be significantly larger and require substantial additional staff to support the implementation and management of the project, as well as the solution vendor's implementation charges.

Based on similar MMIS projects in other states and the last Maryland MMIS project, should MDH be required to move forward with MMIS replacement within the bill's timeframe, Medicaid general fund expenditures increase by a *significant* amount beginning in fiscal 2027. Specifically, fiscal 2027 expenditures increase by more than \$371.1 million. These costs include MDH staffing increases (\$20.4 million), contractual project management costs (\$96.9 million), vendor expenses (\$250.0 million), and associated operating costs (\$3.8 million). While 90% FFP is typically provided for the design, development, or installation of MMIS, MDH advises that 100% State general funds would be required to fund the replacement as the mandatory CMS review process (required to receive FFP) cannot be completed within the bill's timeframe.

Additional Comments: The Department of General Services (DGS), which is the control agency for information technology procurements, advises that, at a minimum, procurement of a replacement MMIS would take 18 to 24 months with support from DGS and the Department of Information Technology. This does not account for planning, design, and approval work that must be completed prior to procurement.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 963 (Senator Hester) - Rules.

Information Source(s): Department of Information Technology; Department of General Services; Maryland Department of Health; Department of Legislative Services

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