

LFC Hearing Brief



Medicaid Management Information System Replacement (MMISR) Project Update

The Medicaid management information system replacement (MMISR) project through the Human Services Department (HSD) is high risk due to system complexities, schedule delays, and uncertainty in federal funding. The MMISR project, initiated in December 2013, intends to replace the agency's existing Medicaid management system to better support Medicaid operations.

Since initiation, the MMISR project has experienced schedule delays upwards of five years, has expanded the project budget by almost 56 percent since 2018 – with a \$302.2 million total cost estimated in FY23 – and is currently at risk of losing federal funding pending approvals of project planning and budget documents, in part due to the combined requests submitted for MMIS and a related project to replace the state's child welfare database (CCWIS). Combined, an estimated \$93.9 million could be at risk for both projects, including planned appropriations of \$76.7 million for MMISR and almost \$28 million for CCWIS.

Project Status Overview

In original project plans, HSD estimated completion of the replacement in 2019, but in 2018 the estimated completion date was extended to 2021. Then, HSD re-evaluated the project timeline again in April 2021 and extended completion to 2026. A one-year delay in contracting a system integration vendor, primarily due to contract changes and issues with the previous vendor, resulted in cascading impacts to the project schedule, resulting in the additional five year delay. Delays have also been exacerbated by the pending approvals for CCWIS, which is also at risk of losing federal funding, and another related project for replacing the state's child support enforcement system (CSESR).

Initial project cost estimates in 2016 totaled \$175.8 million, which then increased to \$194.3 million in August 2018 to more adequately reflect project costs. Estimated costs grew again, by almost 14 percent, in 2019 for a total cost upwards of \$221.2 million, of which almost \$22 million is state funding. HSD reported that the increased budget reflected new costs associated with the CCWIS and CSESR project collaborations. However, in HSD's FY23 preliminary funding request to the legislature, the agency noted a total cost of ownership exceeding \$302.2 million, constituting another increase of 36.6 percent. Overall, the total budget increase to the project since 2018 totals almost \$108 million (55.5 percent).

MMISR is supported by a potential 90 percent federal funding participation match. However, the federal partner has not yet approved the recent schedule and budget changes as of June 2021, nor have they approved the most recent combined funding request to support the MMISR project, the CCWIS project, and the CSESR project together, leaving the remainder of federal funds at risk. The agency is currently undergoing another round of communications with the federal partner.

AGENCY: Human Services Department

DATE: August 26, 2021

PURPOSE OF HEARING: Update on the Medicaid management information system replacement project

WITNESS: LFC Staff
Kari Armijo, Deputy Sec., HSD
Joseph Tighe, Project Manager, HSD

PREPARED BY: Jessica Hitzman, Program Evaluator & Fiscal Analyst, LFC

EXPECTED OUTCOME: Informational

The Brief: In a [previous program evaluation](#), LFC staff recommended that the Human Services Department provide quarterly status updates, including recent project accomplishments and risks, to the LFC. However, during the COVID-19 pandemic, these updates ceased and the project has undergone several changes. The MMISR project has experienced schedule delays upwards of five years, has expanded the project budget by almost 56 percent since 2018, and is currently at risk of losing federal funding, in part due to combined submissions to the federal partner with the child welfare system replacement project (CCWIS).

Background

Pending approvals from the Center for Medicare and Medicaid Services (CMS) leave a total of \$93.9 million in federal funding at risk, including \$76.7 million estimated for the MMISR project and almost \$28 million in planned federal funding for the CCWIS project, a CYFD initiative to replace its legacy child welfare system.

The Human Services Department (HSD) provides Medicaid services to over 40 percent of New Mexicans at a cost of nearly \$7 billion annually. As noted in previous LFC updates on the project, the Center for Medicare and Medicaid Services (CMS) requires states to deploy modular solutions for their Medicaid enterprise, which provides the flexibility to update the components of the MMIS without affecting the entire system when federal and state regulations change. CMS provides 90 percent matching funds to states for development and implementation costs. In response to these new requirements, in 2013 HSD initiated the MMISR project to replace the agency's existing Medicaid management system.

While CMS mandated a modular approach for state's MMIS solutions, CMS does not specify which modules must be used, nor does it specify the number of modules required, leaving it to the states to define their approach. New Mexico's modular approach includes a multi-module, multi-vendor system as one large IT project. As noted in previous reports on the project, the state's modular approach was initially approved by CMS in 2014 for a total cost of \$175 million but was updated and re-approved in 2018 at a cost of \$201 million.

HHS2020

In collaboration with other state health and human services (HHS) agencies, HSD is attempting to create a more responsive delivery and management system to improve the health and well-being of New Mexicans.

The MMISR project is intended to enable the federal Health and Human Services 2020 (HHS2020) initiative, which aims to establish an integrated, stakeholder-centric health and human services structure for the state in order to more effectively manage and deliver all HHS services. Through the MMISR project, HSD intends to implement the technological foundations for HHS2020. The HHS2020 initiative includes the MMISR project, HSD's child support enforcement system replacement (CSESR) project, and the comprehensive child welfare information system (CCWIS) replacement project through the Children, Youth, and Families Department (CYFD), as well as other partnerships with the Department of Health and the Aging and Long Term Services Department.

The HHS2020 enterprise solution should improve health and human services provisions in New Mexico, but the solution is complex and requires cross-agency collaboration. Implementation of HHS2020 requires federal funding approvals, alignment of schedule and project activities, and integration of multiple systems to create a federally compliant, functional HHS system. HSD reports continued communication with federal partners to secure approvals but concerns about cost allocations, budgets, and procurement methodologies continue to cause federal approval delays and pose barriers to implementation of the system.

MMISR

According to HSD, the new MMISR system will support over 76 thousand providers, process over 40 million transactions, and ensure care for over one million New Mexicans. The modular approach required by CMS allows HSD to implement flexible, business-focused modules instead of one large MMIS. However, modular development requires a tight timeline and separate procurements for the separate modules, adding complexity to the overall project.

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System modules include:

- System Integrator – All base hardware and software to provide core infrastructure used for integration, transfer and storage of data from all MMISR contractors and modules, including system security technologies. This module is essential for system operations.
- Financial Services – The fiscal agent to adjudicate and process claims, perform accounting services and SHARE interface, and provide billing assistance. This module is the backbone for the agency’s Medicaid operational needs.
- Data Services – An enterprise data warehouse, analytics capability, business intelligence tools, and reporting.
- Quality Assurance – Processes and tools to provide program integrity support including third-party liability, audit coordination, fraud and abuse detection, and quality data for reporting.
- Benefit Management Services – Processes, tools, and skills to deliver components necessary for managing, monitoring, and providing benefits.
- Unified Public Interface – Supports citizen interaction with a consolidated customer service center and new web portal and mobile technology access.

Implementation of HHS2020 requires combined federal funding approvals, alignment of schedule and project activities, and integration of multiple systems to create a federally compliant, functional health and human services system.

The MMIS as part of the larger HHS2020 initiative also includes modules for Consolidated Customer Services Center (CCSC) and Unified Portal modules. The current estimated budget, as noted in FY23 funding requests for the project, totals \$302.2 million and the project is now estimated to complete in 2026, which reflects an additional 5-year project delay and almost 56 percent cost increase to the overall project from 2018 cost estimates.

CCWIS

The CCWIS project aims to replace its outdated child welfare case management system to support critical job functions within protective services. The federal government is potentially providing matching funds for the project dependent on approval from the Administration for Children and Families (ACF), partially due to federal data reporting requirements on child welfare activities. Since 2019, project costs as budgeted in the General Appropriations Act total \$45.3 million, of which \$16.5 million is from state sources and \$28.8 million is budgeted as federal funds. However, CYFD reports completing new cost estimates for the project in August 2021, which have reportedly led to a decreased total cost, but these estimates are not yet approved by the federal partner or certified by DoIT.

Though initiated in September 2017, administration changes in 2019 resulted in a re-conceptualization of the CCWIS project to be an integral part of the larger HHS2020 initiative. However, the CCWIS project has experienced barriers to pursuing the blended match through CMS (90 percent) and ACF (traditional 50 percent) and is currently pending federal approvals for planning documents, cost methodologies, and contracts, putting federal funding at risk. Though \$7.2 million is already approved by the federal partners, recent DoIT communications to DFA and LFC stated, “CYFD is assuming the risk, should federal match not occur,” which may require the project to continue at a lower federal participation match rate. Otherwise, the state would potentially have to forgo and likely cover the remaining planned federal funds, totaling almost \$28 million.

Based on the amounts budgeted in the General Appropriations Act, funding at risk for CYFD’s CCWIS project – which intends to replace the agency’s old child welfare information system – includes an estimated \$10.9 million for FY21 and \$17.1 million for FY22.

CSESR

According to HSD, the CSESR project will replace the current Child Support Enforcement System (CSES) to comply with state and federal Office of Child Support Enforcement (OCSE) requirements and improve functions of the New

Mexico Child Support Enforcement Division. While the system is federally certified, it is over 20 years old and functionality is limited. Funding available for the project totals \$18.5 million, including almost \$13.4 million in federal funds.

The project initiated in December 2013 at the same time as MMISR, and the project was intended to integrate with other HSD enterprise systems as part of the HHS2020 enterprise solution. Original project planning estimated the project to complete in 2019, but HSD extended the schedule through 2024 to better align with the HHS2020 enterprise initiative. However, recent delays to MMISR and pending approvals from ACF and CMS may make these delays worse, and the project has yet to certify for additional schedule expansions with DoIT as of 2019.

Funding Status & Appropriations

HSD’s MMISR project costs increased 14 percent in 2019, for a total cost of \$221.2 million, but was further increased to \$302.2 million for FY23. In 2019, the total cost for the MMISR project was estimated at \$194.3 million, according to HSD project documents, and CMS had approved a \$201 million budget for the project at that time. Overall project costs increased to \$221.2 million – almost 14 percent – in August 2019. HSD reported that the increase was to accommodate sister agency collaboration with the HHS2020 enterprise, however the agency did not state the source of the increase in documents submitted to the Project Certification Committee (PCC) in August 2019. In addition, HSD’s FY23 budget request noted a new total project cost of over \$302.2 million. A breakdown of the cost was not available for comparison but represents an additional 36.6 percent increase from previously certified costs, for a total increase of almost \$108 million (55.5 percent).

Table 1. HSD MMISR Project Cost Estimate Comparison
(in thousands)

Service Type	05/2019 Estimate	08/2019 Estimate	Difference	Percent Change
Project Management	\$24,114.0	\$42,553.9	\$18,439.9	76.5%
Business Services	N/A	\$7,982.7	\$7,982.7	-
Implementation Services	\$131,143.8	\$118,780.6	(\$12,363.1)	-9.4%
Other Services	\$65.4	\$263.5	\$198.1	302.9%
IV&V	\$6,459.1	\$10,648.9	\$4,189.7	64.9%
Hardware	\$2,860.2	\$3,903.9	\$1,043.7	36.5%
Software	\$11,188.4	\$12,961.2	\$1,772.8	15.8%
Internal Staff	\$18,458.2	\$19,720.3	\$1,262.1	6.8%
Totals	\$194,289.0	\$221,167.8	\$26,878.8	13.8%

Source: PCC Documentation, LFC Analysis

Analysis of HSD budget documents submitted to the PCC show that the budget increase primarily came from increases to project management service costs, business services such as testing and training, IV&V service costs, hardware, and software (See table 1). Additionally, “other services” costs increased by over 300 percent from March 2019 to August 2019, which HSD categorized as technical consulting costs.

CMS provides a 90 percent funding match for development and implementation costs; however, CMS has not yet approved HSD’s most recent advanced planning documents, submitted in May 2021. The

pending approvals leave an estimated \$76.7 million in remaining planned federal funding for the project at risk, including \$10.8 million budgeted for FY22 (with an associated state match of \$1.2 million) and \$65.9 million for FY23 (with an associated state match of \$8.4 million), according to HSD project documents (See table 2 for a list of all project appropriations). This estimate also does not include an additional \$28 million in budgeted federal funding for FY21 and FY22 at risk for the CCWIS project or funding for HSD’s CSESR project.

The state has appropriated adequate funding for the MMISR project based on HSD’s budget requests. Since FY15, the project budget, as indicated through the General Appropriations Act (GAA), includes just over \$21.9 million from state

sources and an estimated \$154.5 million budgeted as a federal funding match. However, actual funding approvals show CMS has already released \$185.4 million in federal funds for the project, which is about \$45 million more than what was initially budgeted through the GAA. As a result, project appropriations total \$207.3 million across all fiscal years, of which \$186.9 million has been certified for use by the PCC. HSD has currently spent over \$125 million, constituting 61 percent of the total project cost and roughly 67 percent of all PCC certified funding.

Table 2. MMISR Appropriations Log

Appropriation Source	Amount (dollars)		
	Total Cost: \$302,216,250		
	State Budgeted	Federal – Budgeted*	Federal – Approved**
Laws 2014, Chapter 63, Section 4	\$141,153	\$1,800,000	\$1,270,376
Laws 2015, Chapter 101, Section 7(20)	\$620,000	\$5,580,000	\$5,580,000
Laws 2016, Chapter 11, Section 7(15)	\$2,800,000	\$28,000,000	\$25,200,000
Laws 2017, Chapter 135, Section 7(9)	\$5,000,000	-	\$45,000,000
Laws 2018, Chapter 73, Section 7(21)	\$6,801,900	\$60,855,100	\$60,855,100
Laws 2019, Chapter 271, Section 7(22)	\$1,255,610	\$11,300,500	\$11,300,490
Laws 2020, Chapter 83, Section 7(23)	\$4,104,100	\$36,146,300	\$36,146,300
Laws 2021, Chapter 137, Section 7(17)	\$1,208,900	\$10,812,800	Pending
FY23 Budget Request (preliminary)	\$8,400,000	\$65,890,000	Pending
Totals:	\$30,331,663	\$220,384,700	\$185,352,266
Total Appropriated (all sources):	\$207,283,929		
Total Budgeted (all sources):	\$250,716,363		
Pending Federal Funding:	\$65,890,000		

*Includes only federal funding budgeted for in the General Appropriations Act

**Includes funding approved by CMS in approval letters submitted to HSD

Source: General Appropriations Act & CMS Approval Letters

Project Risks & Previous Recommendations

Previous LFC evaluations and report cards note that the project is high risk due to the system complexity and high cost. As noted in the May 2019 LFC program evaluation of the MMIS project, the complexity of the project presents potential risks and challenges to project management, with the large budget contributing to the risk of failure. Further, industry research suggests large IT projects are at far greater risk of failure than smaller efforts. A 2019 report published by the General Services Administration (GSA) found only 13 percent of large technology projects, valued at \$6 million or greater, are successful. The failure rate increases with cost; only 8 percent of projects costing \$10 million or more are successful. With a \$302.2 million total cost estimated in FY23, the system is at risk of failure due to the sheer size of the project, so project management and governance is essential to mitigating this risk.

A 2019 report published by the General Services Administration found only 13 percent of large technology projects, valued at \$6 million or greater, are successful and only 8 percent of projects costing \$10 million or more are successful.

Source: GSA

LFC report cards (available in Appendix A) rate the MMISR project red, or high risk, due to the procurement delays that extended the project timeline by five additional years and concerns over federal approvals for the HHS2020 combined project funding application, particularly the outstanding planning document and cost allocation approvals submitted to CMS along with the CCWIS project.

During the June 2021 assessment period, independent verification and validation (IV&V) reports rated the MMISR project yellow, or moderate risk, demonstrating improvement from previous months. IV&V monitors and assesses every aspect of an IT project from inception to completion and is a best practice to identify high-risk areas early in the project. In June 2021, the project risk rating was changed from a red or high-risk status to a yellow or moderate risk status. The improved rating in part results from execution of the system integrator (SI) vendor contract in May 2021. Due to issues with the previous SI vendor performance, HSD removed the project deliverables from the vendor's contract in March 2019 and replaced the old SI vendor with a new vendor, which partially contributed to project delays.

Despite improvements to the overall project risk status, however, IV&V reports continue to identify pending federal approvals as a significant factor affecting project health. Due to the importance of not losing federal funding, the IV&V vendor escalated the project budget health indicators to a high-risk rating for June 2021. According to the report, the Implementation Advance Planning Document Update (IAPDU) supporting the MMIS project was submitted to CMS on April 27, 2020. HSD then received conditional approval from the U.S. Department of Health & Human Services (HHS) on March 1, 2021, which provided three months of funding to support MMISR project activities so long as the state meets the terms and conditions set forth by HHS within 90 days. HSD submitted their response on May 28, 2021 in an attempt to meet the conditions set forth. According to IV&V reports produced in June 2021, without the approvals, the project is set to run out of funding within the next four months.

Further communication from federal partners in June 2021 requests additional clarification regarding the projects' cost allocation methodologies and procurement methods – both continued requirements that were not met with HSD and CYFD's May 2021 response.

Source: ACF Letter

In response to the May 2021 submission, the federal partners in June 2021 requested additional clarification regarding the projects' cost allocation methodologies and procurement methods – both continued requirements that were not met with HSD and CYFD's May 2021 response. According to the most recent federal letter, HSD is also required to clarify the scope of the CSES replacement as part of the multi-project solution, provide more information about the components of the HHS2020 enterprise that the CSES system will be involved in, and submit an updated activity schedule and budget outlining prior CSES activities. The state has 60 days to respond to this most recent federal request and further submissions to the partner are in progress. To mitigate risks associated with federal approval delays, the IV&V vendor recommended establishing a mutual agreement between state and federal partners on next steps for the project and clearly communicating to stakeholders the outcomes of federal meetings.

The recent 5-year schedule delay, resulting from procurement changes and accommodations for HHS2020 initiatives, may be exacerbated by pending federal approvals for project funding. As mentioned in previous LFC project evaluations, SI contract changes delayed the project. As a result, in June 2018 CMS approved HSD's request to extend the estimated completion date to December 2021. The current project schedule now estimates completion in 2026 to accommodate a less aggressive timeline and to accommodate sister agency collaboration with the HHS2020 initiative. In addition, as mentioned, CYFD is attempting to pursue CMS funding participation (90 percent federal funding match) for the CCWIS replacement project, but CMS has yet to approve planning documents and cost allocation methodologies for the two projects as of June 2021. If federal approval is not obtained, both projects are at risk of falling further behind and not receiving budgeted federal funds, which could jeopardize the remainder of the project and subsequent federal funding for maintenance of the systems.

Despite delays to the project schedule, HSD is showing continued progress on a majority of recommendations outlined in previous LFC project evaluations. Previous recommendations outlined in the 2019 LFC program evaluation of the MMIS project are listed in Table 2. For example, IV&V reports note that HSD has partially integrated the new SI vendor schedule into the overarching enterprise project schedule, which was recommended by LFC to help prevent additional schedule delays and prevent competing resources and responsibilities among project and vendor staff. Communication with stakeholders continues to be recommended by both LFC and in IV&V reports, especially regarding project planning and communications with the federal partner.

Overall, HSD should continue to provide quarterly status updates about the project to LFC and DoIT. The agency should also continue to communicate with stakeholders regarding federal requirements and requests for information from CMS to continue moving forward with the project without additional delay and without placing additional federal funding at risk.

Table 3. Status of HSD Action on Previous LFC Project Recommendations

Previous Recommendation	Status of Action	Details*
Updating the integrated master project schedule to include details for all project tasks and resources	In Progress	EPMO continues to improve the enterprise project schedule. HSD has partially incorporated the system integrator schedule into the enterprise project schedule.
Provide quarterly status updates to the LFC and DoIT	Ongoing	Status updates ceased during the Covid-19 pandemic, but an update was given in July 2021 to the LFC on current project status.
Ensure all project plans are updated and communicated to MMISR project team members and stakeholders	Ongoing	IV&V continues to recommend stakeholder engagement and communication of project planning and federal meeting outcomes to relevant stakeholder entities.
Ensure key system integrator key personnel are staffed appropriately with experience and skill set	Nearing Completion	HSD contracted with a new SI vendor in May 2021. An IV&V observation regarding system integrator product expertise is closed and being monitored through the end of the procurement phase with the vendor.
Update the existing contract management plan to include periodic report cards, corrective action planning, and mitigation planning	Ongoing	The organizational change management (OCM) contractor returned to the project during June 2021 and started working on Contractor-Vendor Management as the next edition of OCM activities, and a Contractor Management Core Team comprised of key state project staff has been assembled to support the effort.
Implement vendor management tools that include contractual and performance information including liquidated damages, and reporting, with access from a centralized online location	Completed	HSD reports completion as of October 2019. Vendor management core team meetings took place throughout June 2021. With the move of organizational change management (OCM) to vendor management, the OCM contractor has conducted a Procurement and Contractor Management Academy.

Source: LFC Program Evaluation: *Status of the Medicaid Management Information System Replacement Project* (May 2019)

*Source: HSD MMISR IV&V Project Assessment #57 (June 2021)

APPENDIX A: FY21 Q4 IT Status Report Card - MMISR

Agency	630		Human Services Department (HSD)					
Project Name	Medicaid Management Information System Replacement (MMISR)							
Project Description	Replace current Medicaid management information system and supporting application, including Medicaid information technology architecture, to align with federal Centers for Medicare and Medicaid Services (CMS) requirements.							
Project Phase	Implementation	Estimated Implementation Date:			12/2021; revised 8/31/2026			
		Estimated Total Cost¹ (in thousands):			\$211,805.6; revised \$221,167.8			
	State	Federal	Total Available Funding²	Spent to Date	Balance	% of Budget Expended		
In thousands	\$20,722.8	\$185,352.3	\$206,075.1	\$125,878.0	\$80,197.1	61.1%		
FY21 Rating	Q1	Q2	Q3	Q4	Status			
Budget					HSD received conditional approval from the federal investment partner, CMS, for one-quarter of total federal funding. However, combined submissions with CYFD for project funding have caused delays in funding approvals for both projects. While the project is currently within budget, if not approved, further federal funding may be at risk.			
Schedule								
Risk					Project risk remains given the large budget and conditional approvals from CMS, largely due to delays in approving planning documents with the CYFD CCWIS project. The project is at risk of falling further behind and not receiving budgeted federal funds. However, HSD has executed a new system integration vendor contract in May, which should improve project outlook in subsequent quarters.			
Overall								
Schedule and budget risks remain due to high estimated cost and pending federal approvals for remaining project costs.								
¹ Original CMS approved budget including HHS2020 partner agencies revised.								
² Total available funding includes an additional \$12.6 million appropriated in Laws 2019: \$1.3 million from the general fund and \$11.3 million federal.								