

## **TESTIMONY BEFORE THE BUDGET SECTION**

### **STATUS OF MMIS**

**MARCH 8, 2006**

Chairman Svedjan, members of the Budget Section, I am Carol K. Olson, Executive Director of the Department of Human Services. I am here today to provide you with a status of the MMIS (Medicaid Management Information System) project. Curt Wolfe, former CIO of North Dakota, and Maggie Anderson, Director, Medical Services, are available to address questions you may have after my presentation.

Since the last Budget Section meeting, the Department has completed contract negotiations with ACS and we have provided you with a chart indicating the current status of those negotiations. The bottom line is that projected costs are \$56.8 million, which is \$500,000 less than reported at the last Budget Section meeting.

As we stated in December, the risks of not going forward with this project include:

- Several states will be issuing RFPs within a year's time, which increases North Dakota's risk of not receiving even one bid if we were to reissue our RFP. (See chart)
- The costs could be even higher with so many other states entering the market in the next year.
- Federal funding at the 90 / 10 match cannot be guaranteed.
- Mainframe Migration may be required if the Department has to rebid the MMIS project.

The Department has heard your concerns and we believe we have addressed them with the following plan.

### **Concern - Obligating future Legislatures**

- I contacted John Crysler, Managing Director - ACS Government Healthcare Solutions, requesting that they hold their price firm until the 2007 Legislative Assembly is able to hear a Bill that addresses the costs of the remainder of the project. He agreed to do so as long as we move forward with initial design. Based on this, ACS has agreed to sign a contract identifying two phases. Phase I would include a detailed system design, which is expected to cost no more than \$8 million and would be reusable. At the approval of the 2007 Legislature, Phase II would include the balance of the design, development and implementation. This two-phased approach would also protect the State's interest in retaining the bid.
- ITD has agreed to complete initial development work with 100% of their effort being reusable and costing approximately \$1.6 million.

With this plan the Department will expend no more than \$10 million in total funds and \$1.0 million from the general fund. The unexpended balance would be returned to the general fund at the end of the biennium.

### **Concern - Keeping options open**

- Contacted South Dakota to hold a face-to-face meeting with our project teams to discuss opportunities about partnership.
- Negotiated a contract with two distinct phases, which allows Legislative input and direction during the 2007 Session.

Having heard your concerns over the past few months, the Department has developed this win-win solution for North Dakota as a commitment in addressing your concerns and a commitment to better serve our providers and recipients. We are asking for your support of this approach, however, we do not plan to move forward if this is not your desire.

Thank you.

Attachment: Comparison of Costs to Appropriation