

**TESTIMONY BEFORE BUDGET SECTION  
MEDICAID SYSTEMS PROJECT UPDATE  
SEPTEMBER 15, 2009**

Chairman Holmberg, members of the Budget Section, I am Jennifer Witham, Director of Information Technology Services for the Department of Human Services (DHS). I appear before you to request the use of contingency funds and provide a status of the Medicaid Systems Project.

Section 4 of Senate Bill 2024 of the 2007 Legislative Session requires approval of the Budget Section for the use of contingency funds in excess of \$500,000. We are requesting such approval today.

When this project was approved, the costs for the hardware and software were to be purchased by the Information Technology Department (ITD) through a loan which was presented and approved by the Budget Section on October 30, 2007. The repayment of this loan is passed through by ITD to the Department of Human Services as a hosting fee. This hosting fee was initially intended to be budgeted as an operational expense. Based on the initial schedule delay (May 2010), the hardware and software hosting fee is required to be paid as part of the project costs since we are not yet operational or "live" with the system. Additionally, we will need to pay the annual software maintenance fee for the purchased software. During the presentation of our budget during the 2009 Legislative Session, these hosting and software maintenance fees were discussed as being part of project costs for the current biennium. The need for contingency funds will begin in November 2009. The amount of contingency funds we are requesting to use totals \$2,172,584. Because software can only be reimbursed at 75% federal match, the general fund portion being requested is \$512,550.

Before I turn the presentation over to Mark Boxer from ACS, I would like to review the impact the newly revised schedule will have on the Medicaid program with the projected go live date moving to April 2011.

If you have any questions, I would be happy to address them at this time.