

Region VIII

January 3, 2007

File Code: ND-newMMIS/Ph2.BA/wh

Maggie Anderson, Director
Division of Medical Services
North Dakota Department of Human Services
600 East Boulevard Avenue, Department 325
Bismarck, ND 58505-0250

Dear Ms. Anderson:

This letter is with regard to the continuation of the Design, Develop and Implementation (DDI) activities for the new North Dakota Medicaid Management Information System (MMIS) project. This includes a new MMIS, Pharmacy Point of Sale (POS) system and Decision Support System/Data Warehouse (DSS/DW). As noted in the Centers for Medicare and Medicaid Services (CMS) March 30, 2006 letter approving the Implementation Advance Planning Document (IAPD) Update for the project, DHS made the decision to initiate Phase 1 activities for the project with available funding and complete the Phase 2 activities with funding approved during the 2007 legislative session. We are requesting that the Department notify the Regional Office that the MMIS replacement project Phase 2 activities will continue as planned when the necessary funding has been appropriated no later than April 15, 2007. As stated in the March 30, 2006 letter, CMS wants the State to be aware that should the project deviate from the CMS approved IAPD Update, federal financial participation (FFP) for the new MMIS project will be suspended and disallowed as provided for in federal regulations at 45 CFR 95.611(c)(3) and 95.612. Therefore, the State should be advised that if funding for the full project is not appropriated or the system does not become operational, the FFP authorized for this project will be subject to disallowance by CMS (see 45 CFR 95.612).

CMS recognizes the importance of replacing North Dakota's legacy MMIS with the advanced technology needed to support today's Medicaid program. As a measure of our commitment to this important project for the State, we continue to share the development cost of this new generation MMIS. Our review of the project status reports for the MMIS replacement project Phase 1 and Phase 2 to-date activities submitted by DHS indicate that the project is well managed and significant progress has been made. Therefore, CMS strongly encourages the State to move forward with this effort and looks forward to the successful implementation of North Dakota's new MMIS.

Please be aware that federal regulations at 42 CFR 433, Subpart C, and the State Medicaid Manual (SMM), Part 11 require that new MMIS systems be certified in a reasonable time frame, e.g. six months in full operational mode. Approval of operational funding at the 75 and/or 50 percent levels for North Dakota's new MMIS, POS and DSS/DW will be re-evaluated following full operation of the system and MMIS certification by CMS. Pending

CMS certification and approval of retroactive operational funding, FFP for the operation of a non-certified MMIS is at 50 percent (please refer to SMM, Section 11255).

You posed the following question in your January 2, 2007 e-mail, “Is FFP available for the modification and operations of a system that will not be a certified MMIS?”. Your e-mail stated that this question is based on an inquiry about whether it would be cheaper to modify a non-certified system that would be funded at the 50% FFP rate. Please note that, as stated above, MMIS certification is a requirement under federal regulation. CMS **will not** provide MMIS funding at any FFP rate for system development or enhancement activities for a non-certified State MMIS. Nor will CMS pay for any massive overhaul of a system given that it will not meet MMIS certification requirements.

CMS looks forward to working with DHS as it continues the Phase 2 activities for the MMIS replacement project. If you or members of your staff have any questions, please contact Dzung Hoang at 303-844-4727, or via email at dzung.hoang@cms.hhs.gov or Will Holmes at 303-844-7478, or via e-mail at william.holmes@cms.hhs.gov.

Sincerely,

/s/

Diane Livesay
Associate Regional Administrator
Division of Medicaid and Children’s Health