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# **MEDICAID FISCAL AGENT SERVICES PROCUREMENT**

**Presentation to:**

**House Appropriations Committee  
Health and Human Resources Subcommittee**

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**Department of Medical Assistance Services**

**June 18, 2008**

# The Fiscal Agent Role

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- DMAS contracts with a fiscal agent for two major functions
  - Provide, support, and operate the “Medicaid Management Information System” (MMIS) that conducts most of DMAS’ business transactions
  - Perform operational activities that support administration of the Medicaid program

# The MMIS

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- The MMIS performs the following functions:
  - Enrolls providers and recipients
  - Maintains records of providers and recipients
  - Processes and pays provider claims
  - Allows providers to verify eligibility, claim status, and payment status via phone or web
  - Performs financial transactions and reporting
  - Processes drug utilization review and drug rebates
  - Stores and maintains claims history and financial records
  - Produces routine and ad hoc reporting

# Fiscal Agent Support of MMIS

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- To support the MMIS, the fiscal agent must provide:
  - Hardware and software
  - Staff to operate and maintain hardware and software
  - Support for electronic transmission of provider transactions, including claim submission, claim status, and recipient eligibility verification
  - Assured compliance with federal law protecting privacy and security of recipient information
  - Documentation (system documentation, reports, letters, claims, provider enrollment forms, etc.) storage and retrieval
  - Routine and ad hoc reporting as required by DMAS

# Fiscal Agent Operational Support

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- Operational services provided by the fiscal agent include:
  - Enrolling providers and maintaining provider records
  - Producing recipient ID cards
  - Adjudicating claims, both paper and electronic
  - Paying providers, electronically and via checks
  - Issuing provider “remittance advices” detailing the processing of their claims
  - Maintaining and reconciling the bank account from which payments are drawn
  - Production and mailing of letters to recipients and providers
  - Maintaining “help desks” to assist providers and other business partners

# Current Fiscal Agent Contract

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- First Health Services Corp. (FHSC) is the current fiscal agent
- The current contract was effective in February 1998
- DMAS had and exercised several contract extension options
- No more extension options exist, so the contract must expire June 30, 2010
- DMAS must conduct a competitive procurement to secure a contract for ongoing fiscal agent services
- The procurement falls under the oversight of the Centers for Medicare & Medicaid Services (CMS) and the Virginia Information Technologies Agency (VITA)

# Type of Procurement

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- MMIS procurements are either “new system” or “takeover” procurements
- The current Virginia MMIS is a new system that was implemented in 2003
- The cost of a new system is very high, and cannot be repeated frequently
- This procurement will be for a “takeover” of the existing system, with only limited enhancements
- Item 311.H. of the 2008 Appropriation Act authorized DMAS to conduct this procurement

# Procurement Objectives

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- Continuity of operations - no disruption in services
- Fair, competitive procurement, selection of the highest quality, most cost-effective vendor
- Highest available level of federal funding (generally 75% in a “takeover” but some elements could receive 90%)
- Consistent with standards of “Medicaid Information Technology Architecture” (MITA)
  - Required by CMS for maximum federal funding
  - Promotes systems that facilitate inter-operability and data sharing across state Medicaid programs
  - Results in a “modular” approach to systems, to facilitate sharing of system components across states, thereby reducing cost and risk



# Participants' Roles and Responsibilities

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- CMS
  - Oversight over all Medicaid procurements, particularly MMIS
  - Must approve “Advance Planning Document” early in planning phase
  - Must approve RFP and any resulting contract
  - Without CMS approval, system can lose enhanced federal funding
- VITA
  - Authority over all information technology procurements in the state
  - Authority to “delegate” to DMAS management of the procurement after review of RFP
  - Authority to conduct project management oversight of implementation
- DMAS is working very closely with CMS and VITA to ensure all requirements are satisfied

# Selected Program Statistics

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- Providers
  - 52,000 enrolled in fiscal year 2007
  - 15,000+ new enrollment applications per year
- Recipients - 805,000 recipients enrolled in fiscal year 2007
- The fiscal agent processed 41.5M claims in fiscal year 2007
  - 12.8M electronic fee-for-service medical claims
  - 4.2M paper fee-for-service medical claims
  - 8M pharmacy point-of-sale (real-time) claims
  - 16.5M encounter claims from Managed Care Organizations.
- Excluding encounter claims, DMAS receives and processes 83% of claims electronically

# Productivity Investment Fund Grant

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- DMAS received a Productivity Investment Fund (PIF) Grant to implement web-based claims submission
- Goal is to provide a no-cost means for providers to submit claims on-line rather than via paper
- Objectives are lower cost to file claims, more timely payment, fewer errors, and more claims paid on the first submission
- Also long term savings to DMAS for processing claims
- Target date for implementation is January 2009
- PIF Grants are awarded by the Productivity Investment Board

# Procurement Timeline

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- Request for Proposals (RFP) has been drafted and is under review by CMS, VITA, and the Office of the Attorney General
- Target date for RFP release is July 2008
- Proposals are due September 30, 2008
- Target date to execute new contract is March 1, 2009

# Proposal Evaluation Process

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- Bidders must submit a technical proposal, addressing RFP requirements, and a separate sealed cost proposal
- About 80 DMAS employees will be organized into 25 teams based on subject matter expertise
- Each team will evaluate one or more sections of the technical proposals
- Cost proposals for the highest scoring technical proposals will be opened
- The combination of cost and technical points will be used to select the proposal with the best value to the Commonwealth
- DMAS will initiate contract negotiations with the selected vendor

# Contract Implementation

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- Contract implementation activities will occur between March 1, 2009 and June 30, 2010
- Activities will include:
  - Acquisition of facilities and staff
  - Acquisition of hardware and software
  - Conversion of MMIS programs and data to the new platform
  - Testing
  - Training
  - Coordination with providers and other business partners