

## Optum Medicaid Business Services — a modern alternative to MMIS replacement

As one of the largest health services businesses in the industry, Optum™ is committed to making the Medicaid system work better for everyone. We agree with many in government that the standard approach to MMIS procurement and implementation is broken. In this paper, we propose a new and innovative approach to procuring and operating an MMIS. Our approach can significantly reduce implementation costs, shorten implementation times and contain operational costs in both the short and long term.

**Make no mistake: Our approach represents a sharp departure from the traditional model that states have used for decades. We propose that states procure the MMIS services they need rather than purchasing and owning the actual system. We call this solution Optum Medicaid Business Services (OMBS).** OMBS offers states an innovative and viable approach to breaking the cycle of unsustainably expensive and unproductively time-consuming MMIS procurements.

### The high risk of MMIS

The heart of all Medicaid programs is the Medicaid Management Information System (MMIS), which processes fee-for-service (FFS) claims and managed care encounters and provides reporting on the program, among other functions. States have historically sought to purchase these systems and, in most cases, hire a contractor to operate them. These systems are formally certified by the Centers for Medicare and Medicaid Services (CMS), which enables states to access enhanced federal financial participation (FFP) at the rate of 90 percent for design, development and implementation and 75 percent for MMIS operations. Without certification, the FFP matching rate would be limited to 50 percent.

States have been using MMIS systems since the 1970s. As Medicaid has grown in complexity and IT solutions have become more sophisticated and nimble, many MMIS systems are out of date by the time they're up and running. With more states moving to a Medicaid managed care model, it simply does not make sense to build a complex and costly system to administer payments for a diminishing number of fee-for-service recipients.

Replacing these older systems has become a procurement nightmare for many states. Complex requirements make the RFP process cumbersome, expensive and time consuming.<sup>1</sup> Performance issues, implementation delays and budget overruns are frequent and often make headlines.<sup>2</sup> In an environment of continuous and significant regulatory and program reform, it has become increasingly difficult to define stable requirements to build a system, leading to significant delays in going live.

---

Optum Medicaid Business Services is the claims processing and administrative services arm of Optum Medicaid Management Services, which provides comprehensive business and health management services for state fee-for-service populations.

---

## Breaking the mold

The current MMIS model is analogous to states designing, building and paying for a power plant rather than simply purchasing the electricity. We propose that states procure **only the services** required of their MMIS **without purchasing the system**. At its core, this is very similar to an Administrative Services Only (ASO) model that is used successfully in other parts of the health care industry.

**Optum Medicaid Business Services (OMBS)** provides Medicaid FFS claims processing and program administration, including provider enrollment, call center, service authorizations and operations reporting. This approach allows states to contract only the services they need without the risk of system development.

Our approach is grounded in current health care market practices that leverage existing and proven commercial assets. The systems required to deliver MMIS payment and administrative functions are similar to claims platforms used for managed care claims processing. With careful planning, the commercial systems could be adapted for MMIS functions within a **short 12–18 month implementation window**.

### By purchasing needed services instead of system requirements, states will benefit in numerous ways:

- A shortened implementation period
- Reduced implementation risk for the state
- Expanded procurement competition
- Proven commercial solutions already performing well in the marketplace
- Reduced implementation costs
- Significantly improved state administrative operations
- Fewer state resources needed to support implementation
- New technologies, including evergreen and cloud-based approaches
- Flexibility that scales operational costs to FFS volumes today and in the future

## Securing enhanced FFP funding

With OMBS, securing CMS approval is similar to current practice, except the state structures its needs in the form of business services instead of system requirements. The state submits an Implementation Advanced Planning Document (IAPD), and upon approval, the state issues an RFP containing its services requirements. Following system implementation, CMS auditors will seek to certify that all services required by the RFP and approved by CMS have been implemented and made available. Once certified, enhanced FFP consistent with rates available for certified MMIS implementation and operation will be made available to the state.<sup>3</sup>

If structured as recommended, the services RFP will be considerably briefer than traditional MMIS RFPs and will solicit proposals that are shorter and easier for the state to evaluate. Altogether, the time from RFP requirements definition to contractor implementation will be dramatically shorter, solving the time-to-market problem that dooms many MMIS projects.

### It's time for a dramatic change.

Optum proposes a novel and tested solution for Medicaid that can be deployed rapidly and qualifies for the CMS-enhanced FFP — **Optum Medicaid Business Services (OMBS)**.

The legal and regulatory rationale for accessing MMIS-enhanced FFP for the cost of MMIS services without actually purchasing a system is documented in an opinion paper authored by Covington & Burling LLP, a Washington, D.C.-based law firm with extensive experience in public policy. We have confirmed with CMS their support for this approach and its alignment with their view of MMIS in the future.

### A new approach to Medicaid operations

To implement our approach, we recommend that selected functions unique to MMIS be disaggregated from traditional MMIS requirements and reorganized for streamlined operations management. The table below represents our recommendation for reorganizing MMIS functions, which aligns with how some states intend to handle these selected functions in their procurement strategy. When these traditional MMIS requirements are adjusted, the remaining requirements are generally commercially replaceable within a much shorter time frame and will drive greater market competition for states.

Traditional function	New approach
FFS claims processing	→ Changed to procure services from vendor using a commercial platform
Managed care encounter processing	→ Changed to ingest encounters directly into the Medicaid data warehouse
Program analytics and reporting (including MARS, program integrity, etc.)	→ Move to Medicaid data warehouse with analytics framework
Managed care premium payments	→ Move to state financial system
Non-claim payments	→ Move to state financial system
Recipient assignments to managed care plans	→ Move to state eligibility system

### The transition

To enable a shortened implementation timeline with a services-based approach, Optum recommends using a date-of-service (DOS) claims operations cutover rather than the date-of-receipt (DOR) approach used in most traditional MMIS projects. It does require, however, that the state extend its incumbent MMIS contract approximately six months to overlap with new service operations. This allows the processing of residual run-out claims associated with dates of service prior to new contract go-live and makes for a smoother transition. This also eliminates the need for massive data conversion as part of the new contract implementation, including definition and configuration of historical benefits with their specific effective dates.

### Summary

With Optum Medicaid Business Services, states leverage existing commercial assets, substantially lower implementation costs, shorten implementation times and scale operations costs to FFS volumes, while increasing competition and gaining access to new market capacity.

---

Call us at **1-800-765-6092** or email **innovate@optum.com** for more information.

#### Sources

1. Vermont, Iowa, New York, Arkansas, South Carolina and West Virginia are just a few examples of states in which the RFPs were cancelled after significant investments were made in time and expense.
2. "AK: Medicaid's Delayed Payments Continue to Frustrate Providers" by Amy Snow Landa, [stateofreform.com](http://stateofreform.com), February 13, 2014. "Audit finds flaws in NC MMIS transition," by Anthony Brino, [www.govhealthit.com](http://www.govhealthit.com), May 23, 2013. "Why are Medicaid MIS contracts failing?" by Heather B. Hayes, [www.govhealthit.com](http://www.govhealthit.com), October 30, 2009. "Costly Montana Medicaid computer project behind schedule," Associated Press, [billingsgazette.com](http://billingsgazette.com), November 13, 2013.
3. "Legal Analysis of a Medicaid "Managed Fee-for-Service" Model and a Medicaid Fee-for-Service Administrative Services Only (ASO) Model," paper authored by Covington & Burling, LLP.



11000 Optum Circle, Eden Prairie, MN 55344

Optum and its respective marks are trademarks of Optum. All other brand or product names are trademarks or registered marks of their respective owners. Because we are continuously improving our products and services, Optum reserves the right to change specifications without prior notice. Optum is an equal opportunity employer.

© 2014 Optum, Inc. All rights reserved. OPTPRJ5554 09/14