New policy guidance on meeting the reuse condition required for enhanced funding of Medicaid Enterprise Systems

KPMG Government Institute

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On April 18, 2018, the Centers for Medicare and Medicaid Services (CMS) issued additional supporting guidance on the reuse requirements related to the enhanced funding for Medicaid Enterprise Systems (MES).[1] Reuse is one of 22 CMS Conditions and Standards that must be satisfied in order for a state to receive enhanced funding as specified in 42 CFR § 433.112(b).

This issue brief summarizes the additional guidance provided by CMS in their State Medicaid Director (SMD) Letter #18-005: RE: CMS-2392-F Mechanized Claims Processing and Information Retrieval Systems—Reuse. This letter identifies how states can meet the reuse condition, the available federal knowledge repositories and support that are available to states, and the alternatives available to states to meet this condition.

Background

CMS provides, under 42 CFR § 433.112(a), 90 percent enhanced federal financial participation (FFP) for Medicaid technology investments funded through an approved Advance Planning Document (APD). In order for a state to be eligible for enhanced FFP, at a match rate of 90/10, and enhanced operations and maintenance (O&M), at a match rate of 75/25, Medicaid technology initiatives must meet 22 CMS Conditions and Standards, which include reuse. The reuse condition as specified in 42 CFR § 433.112(b) requires states to "promote sharing, leverage, and reuse of Medicaid technologies and systems within and among states."

The concept of reuse is not new. It was one of the original CMS Seven Conditions and Standards for enhanced FFP introduced by CMS in April 2011.[2] A key objective of this condition is to reduce both up-front costs and O&M costs along with risk and development time lines[3] while improving the quality and maturity of systems through encouraging states to reuse existing assets, or share new assets. To facilitate reuse, CMS has developed a reuse repository that hosts reusable assets created or updated by states.

Meeting the reuse condition

States must show that a proposed MES achieves reuse by either sharing or acquiring:

— An entire set of business services or systems, including shared hosting of a system or shared acquisition and management of a turnkey service

— A complete business service or a stand-alone system module

— Subcomponents such as code segments, rule bases, configurations, customizations, and other parts of a system or module that are designed for reuse.

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[1] State Medicaid Director (SMD) Letter #18-005: RE: CMS-2392-F Mechanized Claims Processing and Information Retrieval Systems—Reuse.

[2] Centers for Medicare & Medicaid Services. (April 2011). Enhanced Funding Requirements: Seven Conditions and Standards. Retrieved from https://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Data-and-Systems/Downloads/EFR-Seven-Conditions-and-Standards.pdf.

[3] CMSHHSgov. (August 25, 2017). CMS Medicaid Enterprise Systems—Reuse Overview. Retrieved from https://www.youtube.com/watch?v=sG4Tttd9tyQ&feature=youtu.be.

Essentially, states can either acquire assets from another state, collaborate with another state(s) on a shared service, utilize available solutions from the vendor community with minimal customization, and/or incorporate reuse into the design of new capabilities that can be reused by another state. Examples of incorporating reuse into the design of new capabilities include:

— Hosting software in the cloud and making it available for other states to use

— Developing open-source, license-free modules that are sharable with other states

— Sharing specific customizations of commercial-off-the-shelf (COTS) based products with other states

— Further development of software and systems for the Health Information Technology for Economic and Clinical Health (HITECH) Act per SMDL# 16-003.

Supporting the reuse condition

In order to support states in meeting the reuse condition, CMS provides a number of resources to help facilitate support and guidance. These resources include:

Web resources and repository – CMS has established a Medicaid Enterprise Reuse page on Medicaid.gov at https://www.medicaid.gov/medicaid/data-and-systems/reuse.

State cohort meetings – CMS sponsors a multistate Medicaid cohort that allows states to collaborate and share knowledge, which includes solution reuse.

APD reviews – State funding requests and plans that include clear evidence of reuse will receive expedited approval. Furthermore, CMS will assist states in identifying reuse during the APD process. One leading practice is for states to work closely with CMS as early as possible during the APD development process, given the 60-day review and approval time line for APDs.

Acquisition reviews – CMS will review reuse provisions in state requests for proposals (RFPs) and resulting contracts to ensure that APD plans are being fulfilled.

Life cycle and certification support – States should choose potential reuse solutions that meet the guidance provided in the Medicaid Enterprise Certification Toolkit (MECT) or Medicaid Eligibility and Enrollment Toolkit (MEET).

Design – All MES designs must describe how the solution will lend itself to future reuse, including open interfaces and other architectural features to allow for integration into other solutions. MECT and MEET provide a basis for architectural designs that promote reuse. Designs should separate business rules from code and core functionality from state functionality to promote reuse potential. Furthermore, states should not select solutions that require extensive customizations or cannot be integrated with other systems using industry standard methods.

Documentation – As a condition of enhancement funding, CMS now requires that states obtain and maintain adequate documentation for the solution to allow for the operations of a solution by the state, or another state or contractor.

Additional supporting materials and Web sites are included in the figure below.

Supporting materials and Web sites

Letter to State Medicaid Directors providing subregulatory guidance on reuse

CMS Web site dedicated to explaining reuse and providing additional support

Access instructions for the CMS Medicaid reuse repository

The Medicaid State Resource Center with information on guidance, support, and documentation requirements

Location of the Medicaid Information Technology Architecture (MITA) 3.0 standards

Designing for the reuse condition

Despite requirements that states share and reuse when appropriate and feasible, there remains significant latitude regarding what solution is considered "right" for any given state. A state may find that existing designs in the reuse repository do not meet their needs and, as such, may pursue additional solutions. CMS provides guidance related to the following alternative options:

Software as a service (SaaS) – Licensing a solution whose total cost is spread across multiple states can lead to decreased individual costs and significant solution reuse. When acquiring a SaaS solution, it is important to retain ownership and access to all data owned by the state.

Open source – Leveraging the strength of the open-source community could provide high-quality solutions at a reduced cost. As with all licensed solutions, quality documentation, code portability, and limited license restrictions are required for CMS's support.

Proprietary software – Products owned by a third party must adhere to MITA 3.0 principles, support reusability, and should integrate efficiently with alternate solutions. FFP is not available to support the development of copyright or patent-protected solutions.

Cooperative purchasing – State agencies may choose to work together—either among different departments internally or across multiple states—to leverage joint contract vehicles for their solution acquisitions. Such an approach can lead to shared services, reduced costs, and other reuse benefits.

Final thoughts

Through this letter, CMS has provided significant additional guidance on how states can meet CMS's reuse condition. This includes guidance on how states can meet the reuse condition to qualify for enhanced FFP, the resources available to assist states to support their Medicaid technology investments, as well as design alternatives available to states to support these initiatives. States that have received or continue to receive enhanced funding should assess their ability to meet the requirements defined in this letter, including the documentation requirements to help ensure that their Medicaid technology assets developed are able to successfully comply with the reuse condition. Furthermore, states should continue to assess the ability to maximize reusability of Medicaid technology assets within their MES environment.

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