



# MONTANA LEGISLATIVE BRANCH

## Legislative Fiscal Division

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**Director**  
AMY CARLSON

DATE: March 10, 2014

TO: Legislative Finance Committee

FROM: Scot Conrady, Fiscal Analyst  
Stephen Forrest, Fiscal Analyst

RE: Medicaid Management Information System (MMIS) Update

This memo provides an overview of developments on the MMIS project within the Department of Public Health and Human Services (DPHHS). During the December 2013 meeting, the LFC requested updates regarding this project. Over the last three months, the LFD has communicated information to the relevant LFC contact members. This memo summarizes and expands on those updates. For this memo, the LFD collected the information from conversations with DPHHS and Xerox, in addition to the monthly independent verification and validation (IV&V) report published by DPHHS.

Changes to the MMIS project have occurred in three major areas – cost, time and scope:

- Five payment milestones outlined in the original plan have not been met. The fines – known as liquidated damages – have accrued, but it is unclear if the accumulation has continued during the replanning effort. DPHHS has stated that the fines will continue to be enforced. Independent of the contract, DPHHS reports on the March 7, 2014 project portfolio report that it has spent \$10.4 million from all sources on the MMIS project.
- All parties agreed that the project would not meet the March 2015 deadline. No new finish date has been published.
- Negotiations have taken place regarding the system architecture and code. The IV&V report notes that the system may no longer be developed on Xerox's Health Enterprise 2.0. Instead, Montana's system will be based on a version of the system previously used in New Hampshire.

On December 13, 2013, Xerox and DPHHS had a major meeting regarding the future of the MMIS. At the meeting, both parties decided that Xerox would create a gap analysis by the end of January outlining the difference between state expectations and Xerox's capabilities. Xerox and DPHHS would then negotiate on how to move forward and create a new work plan for the project. DPHHS and Xerox held a follow-up meeting in Salt Lake City with Ron Baldwin leading the Montana effort. Discussions centered on the gap analysis, the future of the MMIS

work, and the architecture of the system. Xerox submitted a revised work plan on January 31, 2014 and made a correction on February 3, 2014. DPHHS returned the work plan with comments on February 14, 2014. A revised version of the work plan is currently in the final stages of negotiation.

The IV&V reports that personnel issues have been an area of concern. Since DPHHS conditionally approved the use of a subcontractor, Xerox has “rebadged” personnel working on the Montana MMIS from Xerox to their subcontractor, Cognizant. At the same time, a number of these individuals resigned from the project. Xerox has submitted staffing proposals to DPHHS but these were rejected. Additionally, the February 2014 IV&V report notes that the number of “open” tasks for both DPHHS and Xerox has increased.

Finally, DPHHS has continued to talk with the State of California, which also has an MMIS contract with Xerox. Carlos Ramos, the Chief Information Officer for California, was at the December LFC meeting and coordination between the two states continues on the issues surrounding the building of the MMISs.