

May 9, 2019

Waiver approved
/s/ Janet E. Phipps
05/13/2019

Director Janet Phipps
Department of Administrative Services
Hoover State Office Building
1305 East Walnut Street
Des Moines, IA 50319

Dear Director Phipps:

The Department of Human Services (DHS) is seeking a waiver, as described in Iowa Admin. Code rule 11-118.16 to permit a new information technology contract to have a term of more than six years. DHS requests authorization to sign this IT contract with a base term of four years and two months, followed by up to five one-year extensions. The following provides background on the need for this request.

Procurement Background

The procurement at issue here is RFP MED-19-006, for takeover of operations and maintenance of the Iowa Medicaid Management Information System (MMIS). DHS released the RFP in September 2018, following approval of the RFP by the Centers for Medicare and Medicaid Services (CMS), the federal regulatory and certification authority over state MMIS systems. DHS received two proposals, but one proposal had to be disqualified because of irregularities. Eventually, DHS decided to award the contract to the one viable bidder in January 2019. Thereafter, DHS began working with the vendor to solidify contract terms before submitting the contract to CMS for prior approval. DHS has now received approval of the contract as to form and is ready to sign.

Background on MMIS systems

Federal regulations require that every state operate an MMIS. An MMIS is essentially the Medicaid program's core computer system and is used to collect recipient eligibility, pay providers through a claims adjudication process, and report information to the federal government. Iowa's current MMIS dates to the 1970s. DHS made efforts in the past to replace the aged system, but prior procurement efforts resulted in litigation and non-viable proposals.

In December 2015, CMS released regulations that changed the rules governing the funding of MMIS construction and operations. The new rules require the use of modular MMIS solutions. CMS believes that modularity lowers risk and decreases costs by permitting state-to-state exchange of IT components as opposed to the former method of building unique MMISs for each state. Because modularity is mandated going forward, the 1970s model MMIS that Iowa operates is no longer viable, and CMS will substantially decrease funding going forward if the state does not move towards modularity.

DHS intends to release one or more RFPs to replace the existing Iowa MMIS with modules. The first step in this modernization process was to replace the current MMIS operations vendor, which DHS has now done through RFP MED-19-006.

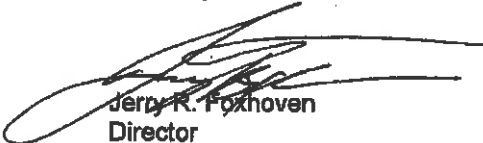
Waiver Request

Consistent with the recently updated rules found in Iowa Admin. Code rule 11-118.11(3) regarding a maximum ten-year duration for IT service contracts, DHS is requesting DAS approval of contract MED-19-006 for a nine year and two month total contract term, including extensions. Because of the highly complex nature of the 40-year-old legacy MMIS and specialized skill sets required to maintain and operate this system, DHS believes it would be ill-advised to only sign a six-year contract with the vendor hired under MED-19-006. The system knowledge and specialized skill sets required for the legacy MMIS will be integral in making system changes and customizations, data extracts and conversions, testing to support the integration with new modules, and ultimately transferring functional responsibility to the module vendors. In addition, the RFP at issue here was written with this proposed contract term, and the federal approvals received to date are based on the contract including this proposed length.

The contract as drafted has a base term of four years and two months (May 10, 2019 through June 30, 2023), with five optional one-year extensions available. The end date inclusive of all potential extensions is June 30, 2028. The Agency anticipates only exercising the optional extensions available if the replacement modules have not been successfully operationalized. Once the new modularized system is fully operational, DHS anticipates that it will issue a new MMIS "operations" RFP, as the scope of services of running a modularized system will be very different from the scope contracted through MED-19-006.

Allowing DHS to maintain critical operations and enhanced funding while procuring and operationalizing new MMIS modular solutions is the most cost effective and least disruptive option available, and it is in the taxpayers, Medicaid members, providers, and stakeholders best interest. Therefore, I do hope you grant the request.

Sincerely,



Jerry R. Foxhoven
Director

JRF/jb

cc: Michael Randol, Medicaid Director