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Building an Information Technology Foundation for Health Reform:
A Look at Recent Guidance and Funding Opportunities

The major coverage provisions in the Affordable Care Act (ACA)[1] go into effect in January 2014 with an expansion of Medicaid eligibility to nearly all individuals under 138% of poverty and new subsidies for individuals with incomes between 138% and 400% of poverty to purchase coverage in newly established Health Insurance Exchanges. The ACA envisions a streamlined and simplified application process with seamless transitions between coverage in the Exchange and Medicaid. Using a web portal, consumers will be able to submit one application for coverage, whether they qualify for coverage in the Exchange or in Medicaid.[2] The information technology (IT) infrastructure will therefore be a core component of implementing the coverage provisions in the ACA. To aid states in the planning process, the Department of Health and Human Services (HHS) has proposed increased federal funding for Medicaid eligibility systems and new guidance to help states design and implement the IT infrastructure envisioned under the ACA. HHS has also announced the "Early Innovator" grants for states that can serve as models in moving forward with IT systems for operating state-based exchanges. This brief summarizes these new funding opportunities and guidance for states.

Federal Funding for Medicaid Eligibility Determination and Enrollment Activities.

On November 8, 2010, the Centers for Medicare and Medicaid Services (CMS) issued a Notice of Proposed Rulemaking (NPRM)[3] affecting Medicaid reimbursement for eligibility and enrollment systems. The proposed rule would increase the federal matching rate for Medicaid eligibility and enrollment systems. Reimbursement for the design, development, and installation of eligibility and enrollment systems would increase from a 50% federal match to a 90% federal match, effective through December 31, 2015. The maintenance and operation of such systems would also be eligible for an increased reimbursement rate, from a 50% to a 75% federal match, which would remain available indefinitely, provided these systems continued to meet other requirements.

The proposed rule would impose new standards for both eligibility systems and Medicaid Management Information Systems (MMIS) to qualify for the higher reimbursement rates, many of which are reinforced in the IT guidance jointly issued by CMS and OCIIO discussed in a later section.[4] Medicaid eligibility systems will need to be developed in such a way as to allow for both easy adaptation of systems over time and easy adoption of components within and across programs. States should also build upon work already completed under the Medicaid Information Technology Architecture project in order to have a comprehensive framework that will enable increased sharing of electronic health information across systems. States are encouraged to work collaboratively, sharing and reusing Medicaid technologies and systems that have already shown promise in other states. Similar to the concept of the "Early Innovator" grants discussed later, CMS will help to indentify promising systems that other Medicaid programs can easily adapt to their needs. In terms of performance, both the eligibility system and the MMIS will need to accurately process claims; communicate with providers, beneficiaries, and the public; produce transaction data and reports for program evaluation; and above all ensure seamless coordination between the Exchange and Medicaid.

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[1] The Affordable Care Act refers to the Patient Protection and Affordable Care Act (P.L. 111-148) as amended by the Health Care and Education Reconciliation Act of 2010 (P.L. 111-152).

[2] For further information on enrollment system expectations under health reform, see *Building Enrollment Systems that Meet the Expectations of the Affordable Care Act.* Kaiser Family Foundation. October 2010. http://www.kff.org/healthreform/upload/8108.pdf

[3] Description of the NPRM provided at: http://www.federalregister.gov/articles/2010/11/08/2010-27971/medicaid-federal-funding-for-medicaid-eligibility-determination-and-enrollment-activities

[4] As stated in the earlier paragraph, the federal match for eligibility and enrollment systems would increase under the proposed rule; MMIS are already reimbursed at the higher rates.

Guidance for Exchange and Medicaid Information Technology (IT) Systems.

CMS and the Office of Consumer Information and Insurance Oversight (OCIIO) issued joint guidance on IT systems for the Exchange and Medicaid on November 3, 2010.[5] It was deemed Version 1.0, indicating that this guidance will be "iterative, updated, and expanded over time." The guidance calls for a collaborative IT development approach among all partners - CMS, OCIIO, States, agencies within the Federal government and between the private and public sectors. Part of this collaborative effort will be to promote standards and foster the development of shared business process models, technical architecture, and programming. According to the guidance, these IT systems will "support a first-class customer experience" through:

- Seamless coordination between Medicaid, CHIP, and the Exchange, as well as between private plans, the Exchange, and employers;
- The same experience for consumers regardless of program or premium subsidy qualification;
- With few exceptions, real time enrollment in coverage;
- Easy access and navigation of IT systems for consumers.

The guidance calls for the business rules for these IT systems to be stored in a way that encourages collaboration among stakeholders at different points in the process (IT specialists, policy makers) within and across state lines and allows these stakeholders to build upon the efforts of others. In order to provide multiple avenues to obtain coverage, states are further encouraged to create interoperability between the Exchange, public health and human services, and community organizations that provide outreach and enrollment assistance services. States will also need to comply with current standards in implementing the IT systems for Medicaid and the Exchange, such as HIPAA transaction and privacy standards.

Early Innovator Grants.

In addition to the $1 million State Planning and Establishment grants awarded to 48 states and the District of Columbia (DC) in September 2010[6], OCIIO announced the "Early Innovator" grants with funding provided in Section 1311 of the ACA to help states build the IT infrastructure for the Exchange.[7] Under this funding opportunity, five grantees (states or consortia of states) will be selected to receive two year grants that will be awarded by February 15, 2011, to develop and implement the IT infrastructure needed to operate the Exchanges. The five grantees will be chosen based on their "ambitious yet achievable proposals" that demonstrate leadership in developing "cutting-edge and cost effective consumer-based technologies and models for insurance eligibility and enrollment" for Exchanges. These five grantees will become leader states, developing models that can be easily modified and adopted by other states. Applicants will need to ensure that both the Medicaid agency and the entity implementing the Exchange work together to prevent duplicative efforts within each state. The amount of the awards made under this grant will be determined by the proposal; OCIIO has indicated in their letter to State Health Officials that there will be full federal funding of Exchange-related IT systems as well as other Exchange-related components.[8] OCIIO also plans to announce another funding opportunity in February 2011 that will be open to all states, including those that received the "Early Innovator" grants, to provide funding for Exchange implementation.[9]

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[5] *Guidance for Exchange and Medicaid Information Technology Systems*. November 3, 2010.
http://www.hhs.gov/ociio/regulations/joint_cms_ociio_guidance.pdf
[6] Alaska and Minnesota did not apply for the grant; all other applicants were awarded the grant intended to aid in planning and evaluation of operating state-based and regional Exchanges.
[7] Press release announcing grant opportunity located at http://www.hhs.gov/news/press/2010pres/10/20101029a.html.
[8] Letter to State Medicaid Directors, Health Officials, and Insurance Commissioners dated November 3, 2010.
http://www.healthcare.gov/center/letters/improved_it_sys.pdf
[9] Press release announcing grant opportunity located at http://www.hhs.gov/news/press/2010pres/10/20101029a.html.