TO:	Representative Alice Emmons, Chair of House Corrections & Institutions
	Representative Donna Sweaney, Chair of House Government Operations
FROM:	Harry Chen, MD, Commissioner, Department of Health, Chair of HSE
CC:	Representative Mitzi Johnson, Chair of House Appropriations
	Senator Jane Kitchel, Chair of Senate Appropriations
	Senator Peg Flory, Chair of Senate Institutions
THRU:	Hal Cohen, Secretary, Agency of Human Services
	Jim Reardon, Commissioner of Finance & Management
	Michael Obuchowski, Commissioner of Buildings and General Services
DATE:	February 10, 2015
RE:	Clarification of Funding Sources for Agency of Human Services HSE IT Capital Projects

In follow up to my testimony from January 28th on the Agency of Human Services (AHS) Capital Budget request for Health & Human Services Enterprise (HSE) Information Technology (IT) projects, I wanted to clarify the funding streams.

During testimony, we discussed the availability of 90% federal funding from the Centers for Medicare & Medicaid Services (CMS) for IT projects that benefit Medicaid. Through the OMB A-87 exception, the State is allowed to leverage the 90% federal funds for IT projects beyond Medicaid as long as the work is necessary for the Medicaid program. To the extent possible, Vermont will leverage the maximum amount allowable under the A-87 exception and take advantage of the 90% federal funding. The current capital bill request of $8 million for FY16 will largely be 90/10 funded between state and federal funds.

The total estimated cost of the fully implemented Integrated Eligibility (IE) project is $129 million. Estimated Medicaid federal funding for the IE project is $70.7M; these funds include the cost for the primary vendor, supportive vendors (such as the federally-required Independent Verification &Validation (IV&V) vendor), state project team, program management office, etc. It is important to note that we are still in the competitive bidding process and cost estimates are not finalized.

IE will include forty-three different eligibility components that will either move from ACCESS to a new platform or be created in the new platform. Of the forty-three components, the State considers twenty seven directly related to the Medicaid program and therefore, eligible for the 90% federal funding. Medicaid will not pay for the work needed related to specific program rules for the remaining sixteen non-Medicaid components. These non-Medicaid components include Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), General Assistance (GA), and Low Income Home Energy Assistance Program (LIHEAP) rules among others.

However, as indicated above, to the extent we can build upon the commonalities with the Medicaid program needs, the additional costs are mitigated below their true fair share.

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Of the remaining sixteen non-Medicaid components in the IE project, though not yet confirmed with our federal partners, we expect only USDA – Food and Nutritional Services (SNAP) will contribute funding, at a 50/50 match rate. The remaining programs will likely need to be paid for with 100% state funds. In summary, the range of federal match percentages for non-Medicaid purposes is from 0% to 50%.

The total estimated cost of the fully implemented Medicaid Management Information System (MMIS) is $105.3M. Current approved federal funding for the Medicaid Management Information System (MMIS) is $85.0M; these funds include the cost for the primary vendor, supportive vendors (such as the federally-required IV&V vendor), state project team, program management office, etc. It is important to note that we are still in the competitive bidding process and cost estimates are not finalized.

Please contact me if you have any additional questions.