

DEPARTMENT OF HEALTH & HUMAN
SERVICES Health Care Financing Administration

Center for Medicaid and State Operations 7500 Security Boulevard Baltimore, MD 21244-1850

May 5, 1999

Dear State Medicaid Director:

The purpose of this letter is to underscore HCFA's interest and support of your Y2K efforts. Now that we have completed site visits to all 50 States and the District of Columbia, we are interested in returning to a number of States to understand their progress since our initial visit, and to spend more time understanding their risk mitigation and contingency planning efforts.

To facilitate our visits, we request that a copy of your written Y2K contingency plans for the Medicaid Program be submitted to your HCFA Regional Office **no later than June 1, 1999**.

We recognize that your contingency plans may not be complete at this point. Because of the importance of contingency planning, however, we need to understand where you are in this regard, and would appreciate receiving whatever it is that you do have at this stage. As you know, contingency plans and risk mitigation strategies provide preplanned approaches to compensate for and work around potential changes of inputs, threats from external events and/or loss of resources. Their focus is to provide for the continued performance of the organization's critical business functions under a variety of circumstances such as when:

- Systems believed to be Y2K compliant fail;
- Systems are not compliant by an established critical date of need; or
- Supporting resources (such as communications, power, transportation, etc.) fail.

While risk mitigation strategies traditionally focus on reducing the likelihood that failures will occur, contingency plans assume specific failure scenarios and describe specific steps that will be taken in the unlikely event of failure in order to achieve the organization's overall mission.

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GAO Approach to Contingency Planning. Based on our recent Y2K site visits, we recognize that each State is developing Y2K contingency plans within the larger context of other State Y2K activities. The purpose of this letter is not to mandate a specific format nor set of requirements that your contingency plans must adhere to with regard to the Medicaid program. We strongly urge, however, that you give careful consideration to the guidance previously developed by the General Accounting Office on this subject (see the GAO's August 1998 report, Year 2000 Business Continuity and Contingency Planning, available on the web at <http://www.gao.gov/special.pubs/bcpguide.pdf>). In that document, the GAO identified five

specific steps which it believed appropriate for organizations to undertake when developing their contingency plans:

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- Assess the costs and benefits of identified alternatives and select the best contingency strategy for each core business process;
- Identify and document contingency plans and implementation modes;
- Define and document triggers for activating contingency plans;
- Establish a business resumption team for each core business process; and
- Develop and document "zero day" strategy and procedures.

An additional resource that you may find useful is the HCFA Year 2000 Business Continuity Plan (BCP) Handbook, published in January of this year, available on the web at <http://www.hcfa.gov/y2k/990113hc.pdf>. Chapters Six and Seven on contingency planning steps, developed originally for the Medicare program, provide additional guidance on this subject.

Next Steps. Our plan is to review your contingency plans in light of the GAO's guidance, and to provide feedback and technical assistance based on what we have learned from our visits around the country. We are particularly interested in your contingency plans to ensure beneficiary eligibility, payment to providers, and continuity of care.

Because each State is responsible for the successful operation of its Medicaid program, including ensuring that its systems are Y2K compliant, the purpose of our review is not to "certify" the State's effectiveness but to increase our understanding of the approaches you have chosen to follow should you run into problems. We hope that, based on our national perspective of what other States are doing and have planned, we may be able to provide additional technical assistance, where appropriate, to make your plans even stronger.

We look forward to receiving your plans **no later than June 1, 1999**. In addition to sending a copy to your Regional Office Medicaid Y2K Coordinator, we would appreciate a second copy being sent to Henry Chao at 7500 Security Blvd, Mail Stop: S3-18-13, Baltimore, Maryland 21244.

For additional information, please address any questions to your Regional Office Medicaid Y2K Coordinator.

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Sincerely,

/S/

Sally K. Richardson

Director

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cc:
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