



DEPARTMENT OF HEALTH & HUMAN SERVICES
Health Care Financing Administration

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

January 20, 1998

Dear State Medicaid Director:

This letter is one of a series that provides guidance on the implementation of the Balanced Budget Act of 1997 (BBA). These provisions were enacted, among other purposes, to modify previous statutory language regarding the automated claims processing and information retrieval systems commonly referred to as the "Medicaid Management Information System" (MMIS).

The purpose of this letter is to discuss an important change brought about by section 4753 that eliminates HCFA's authority to conduct the triennial Systems Performance Review (SPR) and the imposition of fiscal penalties for having failed it. This provision is effective on January 1, 1998.

Section 4753 of the BBA amends section 1903(r) of the Social Security Act, and is entitled "Modification of MMIS Requirements". Historically, section 1903(r) of the Social Security Act provided HCFA with an explicit basis for developing and applying performance standards to previously certified MMIS. It required HCFA to conduct standards-based reviews at least once every three years and to use the results of those reviews as the determining factor for both reapproval/disapproval of a State's MMIS as well as any resultant reductions in FFP levels. Beyond the baseline certification by HCFA that an MMIS meets our functional requirements specified in regulation and the State Medicaid Manual, the SPR served as an evaluation system designed to determine the extent to which the MMIS satisfied performance standards related to statistical levels of output associated with accuracy and timeliness. In essence, the SPR sought to measure sustained performance as opposed to the capabilities assured by the initial approval through Federal certification of the MMIS. The SPR was conducted by our Regional Offices and utilized a standard format which was published in the Federal Register and circulated at least one quarter prior to the fiscal year in which the SPR was to take place.

As the Medicaid program evolved since the early 1970's when the use of automated claims processing and information retrieval systems were in their infancy, States have increasingly been stimulated by a variety of internal and external forces to ensure their MMIS meet the highest levels of operating efficiency. Over the past fifteen years, we found that the SPR was no longer needed since all States either passed the SPR or, if they did run into problems, the underlying causes of failing the SPR were more attributable to causes outside of the system itself. In an effort to reduce the administrative burden on States and our Regional Offices associated with conducting the SPR in 15-20 States each year at a time when State and Federal were already overextended, we strongly supported elimination of this requirement.

Because HCFA's authority to conduct initial MMIS certification reviews is not affected by this statutory change, we intend to work with the States through the Systems Technical Advisory Group and other vehicles to incorporate criteria into the MMIS certification reviews to ensure that these systems continue to meet high standards of operating performance.

We believe these provisions are self-implementing and do not require rulemaking by or additional guidance from HCFA.

If you have any questions concerning these materials, please contact Rick Friedman by phone at (410) 786-4451 or by e-mail at RFriedman2@hcfa.gov.

Sincerely,

/s/

Sally K. Richardson

Director

Center for Medicaid and State Operations

cc: All HCFA Regional Administrators All HCFA Associate Regional Administrators for Medicaid and State Operations Lee Partridge - American Public Welfare Association Jennifer Baxendell - National Governors' Association Joy Wilson - National Conference of State Legislatures HCFA Press Office