

Exhibit 300 (BY2008)

PART ONE	
OVERVIEW	
1. Date of Submission:	2007-02-05
2. Agency:	009
3. Bureau:	38
4. Investment Name:	CMS FFS Application Modernization
5. UPI:	009-38-01-04-01-1110-00
6. What kind of investment will this be in FY2008?	
Mixed Life Cycle	
7. What was the first budget year this investment was submitted to OMB?	
FY2003	
8. Provide a brief summary and justification for this investment, including a brief description of how this closes in part or in whole an identified agency performance gap.	
<p>Fee-For-Service (FFS) claims processing systems support annual processing of over 1 billion claims, or over \$200 billion. They were developed decades ago, when the health care delivery system & health insurance industry were very different. Since then, transaction volume has steadily increased while business processes have become more complex due to increased CMS duties, advances in medical science & application of ever more complex payment systems. CMS faces major challenges using these fragile, overly complex & inefficient systems to rapidly adjudicate claims & make correct payment determinations while managing immense volumes of data & heightened expectations for payment accuracy, program integrity & timely implementation of complex payment methods. This investment supports the improvements needed to meet increasing business demands & improve the accuracy of payment determinations, optimize system quality, availability & performance, lower operational, management & maintenance costs & position CMS for future reforms. Three projects are involved: Common Working File Redesign (CWFR), Incremental Improvement of Core Processing Modules (IICPM) & analysis of innovative technologies for Advanced Medicare Processing (AMP). CWFR - CWF is the Medicare claims validation & authorization system; the national platform for eligibility & utilization history for all beneficiaries & the coordination point for Parts A & B claims approval. Initially CMS's focus was solely on modernizing CWF. This began 12/02 with documenting business & system requirements. CMS has since decided that a "CWF-only" focus is inadequate to meet its needs & has shifted focus while continuing to maintain the currency of CWF business & system requirements. The new focus includes all FFS claims processing systems through IICPM & AMP. IICPM includes 1) Developing module(s) that will integrate & nationalize key payment & claims authorization functions; 2) Placing the entitlement check earlier in the claims process; & 3) Standardizing the generation of backend print images. AMP will test advanced information technology on alternate Medicare transaction processing (e.g. Demonstration Projects) & pursue the establishment of a modern platform for initiatives such as P4P. The results of this pursuit should not only support current initiatives & facilitate early returns; but provide proof & support for expanding their application to modernizing & unifying FFS core processing.</p>	
9. Did the Agency's Executive/Investment Committee approve this request?	
yes	
9.a. If "yes," what was the date of this approval?	
2006-06-23	
10. Did the Project Manager review this Exhibit?	
yes	
12. Has the agency developed and/or promoted cost effective, energy-efficient and environmentally sustainable techniques or practices for this project.	
yes	
12.a. Will this investment include electronic assets (including computers)?	
yes	
12.b. Is this investment for new construction or major retrofit of a Federal building or facility? (answer applicable to non-IT assets only)	
no	
13. Does this investment support one of the PMA initiatives?	

yes
<i>If yes, select the initiatives that apply:</i>
Eliminating Improper Payments
Expanded E-Government
Financial Performance
<i>13.a. Briefly describe how this asset directly supports the identified initiative(s)?</i>
Financial Performance & Eliminating Improper Payments: This investment will support improvements that will enable CMS to better handle claims processing-related financial information. It will improve the accuracy, timeliness & quality of Medicare claims processing & payments, thus reducing erroneous payments. Expanded E-Government: The improvements this investment supports will facilitate expanded e-gov activities by modernizing the systems to technology that is e-gov capable.
<i>14. Does this investment support a program assessed using OMB's Program Assessment Rating Tool (PART)?</i>
yes
<i>14.a. If yes, does this investment address a weakness found during the PART review?</i>
yes
<i>14.b. If yes, what is the name of the PART program assessed by OMB's Program Assessment Rating Tool?</i>
2005: CMS - Medicare
<i>14.c. If yes, what PART rating did it receive?</i>
Moderately Effective
<i>15. Is this investment for information technology (See section 53 for definition)?</i>
yes
<i>16. What is the level of the IT Project (per CIO Council's PM Guidance)?</i>
Level 3
<i>17. What project management qualifications does the Project Manager have? (per CIO Council's PM Guidance)</i>
(1) Project manager has been validated as qualified for this investment
<i>18. Is this investment identified as high risk on the Q4 - FY 2006 agency high risk report (per OMB's high risk memo)?</i>
no
<i>19. Is this a financial management system?</i>
no
<i>19.a.1. If yes, which compliance area:</i>
Not Applicable
<i>19.a.2. If no, what does it address?</i>
Medicare FFS Claims Processing System
<i>20. What is the percentage breakout for the total FY2008 funding request for the following? (This should total 100%)</i>
Hardware 0
Software 0
Services 1
<i>21. If this project produces information dissemination products for the public, are these products published to the Internet in conformance with OMB Memorandum 05-04 and included in your agency inventory, schedules and priorities?</i>
n/a
<i>22. Contact information of individual responsible for privacy related questions.</i>
<i>Name</i>
Maribel Franey
<i>Phone Number</i>

410-786-0757

Title

Director, Privacy Compliance

Email

Maribel.Franey@cms.hhs.gov

23. Are the records produced by this investment appropriately scheduled with the National Archives and Records Administration's approval?

yes

SUMMARY OF SPEND

1. Provide the total estimated life-cycle cost for this investment by completing the following table. All amounts represent budget authority in millions, and are rounded to three decimal places. Federal personnel costs should be included only in the row designated Government FTE Cost, and should be excluded from the amounts shown for Planning, Full Acquisition, and Operation/Maintenance. The total estimated annual cost of the investment is the sum of costs for Planning, Full Acquisition, and Operation/Maintenance. For Federal buildings and facilities, life-cycle costs should include long term energy, environmental, decommissioning, and/or restoration costs. The costs associated with the entire life-cycle of the investment should be included in this report.

All amounts represent Budget Authority

(Estimates for BY+1 and beyond are for planning purposes only and do not represent budget decisions)

	PY-1 & Earlier	PY	CY	BY
	-2005	2006	2007	2008
Planning Budgetary Resources	0.000	0.000	0.000	0.000
Acquisition Budgetary Resources	25.570	1.000	10.060	0.000
Maintenance Budgetary Resources	0.000	2.078	2.000	0.000
Government FTE Cost	2.200	1.480	2.100	0.000
# of FTEs	5	3	4	5

Note: For the cross-agency investments, this table should include all funding (both managing partner and partner agencies).

Government FTE Costs should not be included as part of the TOTAL represented.

2. Will this project require the agency to hire additional FTE's?

no

3. If the summary of spending has changed from the FY2007 President's budget request, briefly explain those changes.

There is no change.

PERFORMANCE

In order to successfully address this area of the exhibit 300, performance goals must be provided for the agency and be linked to the annual performance plan. The investment must discuss the agency's mission and strategic goals, and performance measures must be provided. These goals need to map to the gap in the agency's strategic goals and objectives this investment is designed to fill. They are the internal and external performance benefits this investment is expected to deliver to the agency (e.g., improve efficiency by 60 percent, increase citizen participation by 300 percent a year to achieve an overall citizen participation rate of 75 percent by FY 2xxx, etc.). The goals must be clearly measurable investment outcomes, and if applicable, investment outputs. They do not include the completion date of the module, milestones, or investment, or general goals, such as, significant, better, improved that do not have a quantitative or qualitative measure.

Agencies must use Table 1 below for reporting performance goals and measures for all non-IT investments and for existing IT investments that were initiated prior to FY 2005. The table can be extended to include measures for years beyond FY 2006.

Table 1

Fiscal	Strategic	Performance Measure	Actual/baseline	Planned	Performance
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	Year	Goal(s) Supported		(from Previous Year)	Performance Metric (Target)	Metric Results (Actual)
1	2005	Strengthen Program Safeguards	Analyze the CWF and shared systems system lines of code, business rules, statements, requirements, documentation and copybooks to identify systems methods to strengthen program safeguards.	Automated FWA activities are poorly supported by the 3 claims processing shared systems and CWF which are separate, brittle, and antiquated.	Identify ways to strengthen program safeguards via systems analysis. For CWF, defining & documenting system lines of code & related artifacts such as business & system requirements, as well as ongoing analysis of all CMS-initiated change requests.	Analyzed & documented 1.5 million SLOC, 9 Business Requirements, 46 Business Statements, 1509 Business Rules, 4399 System Requirements, 598 business processes & 6000 pages of documentation & 300 copybooks. Also analyzed 978 CY 2004 CMS and CWF CRs.
2	2006	Timely and accurately pay only for covered, medically necessary services, promoting the fiscal soundness of CMS's Medicare program.	Improve timeliness and quality of Fee For Service payment processes through analysis of the CWF improvement to Common Core Processing Modules and exploration of innovative technologies to support Advanced Medicare Processing.	A claims processing & payment system consisting of 4 antiquated & brittle systems that cannot keep up with constantly changing payment & medical necessity requirements, hampering CMS's ability to be a prudent steward of Medicare funds.	Determine ways to improve timeliness and accuracy of FFS Medicare payments through intensive analysis. Analyze 10%-20% of the CWF medical necessity and payment-related documentation and code.	TBD. Performance period not completed
3	2006	Develop and refine programmatic systems to foster efficiency, promote innovative service delivery and appropriate utilization, and ensure access to care for beneficiaries.	Decreases Admin/Program Costs through standardization of the generation of backend print and electronic images that Medicare sends to its stakeholders.	Redesign and Develop and refine programmatic systems to foster efficiency, promote innovative service delivery and appropriate utilization, and ensure access to care for beneficiaries..	Provides IT backbone to allow consolidation of backend processing such as that done at Print/Mail facilities.	N/A. Improvements under development in this FY.
4	2007	Develop and refine programmatic systems to foster efficiency, promote innovative service delivery and	Decreases Admin/Program Costs by creating one standard, national HCPCS/Pricing/payment instructions file for use by all contractors.	Redesign and Develop and refine programmatic systems to foster efficiency, promote innovative service delivery and appropriate utilization, and ensure access to	Reduces contractor FTE usage for HCPCS activities, more consistent application of pricing and payment rules.	N/A. Improvements under development in this FY.

		appropriate utilization, and ensure access to care for beneficiaries.		care for beneficiaries.		
5	2007	Develop and refine programmatic systems to foster efficiency, promote innovative service delivery and appropriate utilization, and ensure access to care for beneficiaries.	Decreases Admin/Program Costs through standardization of the generation of backend print and electronic images that Medicare sends to its stakeholders.	Redesign and Develop and refine programmatic systems to foster efficiency, promote innovative service delivery and appropriate utilization, and ensure access to care for beneficiaries..	Provides IT backbone to allow consolidation of backend processing such as that done at Print/Mail facilities.	N/A. Improvements under development in this FY.
8	2007	Develop and refine programmatic systems to foster efficiency, promote innovative service delivery and appropriate utilization, and ensure access to care for beneficiaries.	Decreases Admin/Program Costs through standardization of the generation of backend print and electronic images that Medicare sends to its stakeholders.	Redesign and maintain payment processes that pay only for covered, medically necessary services, at correct payment amounts, and in a timely manner	Provides IT backbone to allow consolidation of backend processing such as that done at Print/Mail facilities	TBD. Performance Period not started.

All new IT investments initiated for FY 2005 and beyond must use Table 2 and are required to use the FEA Performance Reference Model (PRM). Please use Table 2 and the PRM to identify the performance information pertaining to this major IT investment. Map all Measurement Indicators to the corresponding "Measurement Area" and "Measurement Grouping" identified in the PRM. There should be at least one Measurement Indicator for at least four different Measurement Areas (for each fiscal year). The PRM is available at www.egov.gov.

Table 2

	Fiscal Year	Measurement Area	Measurement Grouping	Measurement Indicator	Baseline	Planned Improvement to the Baseline	Actual Results
1	2006	Customer Results	Accuracy of Service or Product Delivered	Percent of the Common Working File medical necessity and payment-related documentation and code analyzed	1.5 million SLOC	10%	TBD
2	2006	Processes and Activities	Savings and Cost Avoidance	Number of Fraudulent Claims Identified.	TBD	TBD	TBD
3	2006	Technology	Data Reliability and Quality	Number of Business Rules documente	1509	TBD	TBD
4	2006	Mission and Business Results	Health Care Administration	% reduction in contractor FTE supporting HCPCS	TBD	TBD	TBD

				activities			
5	2007	Customer Results	Accuracy of Service or Product Delivered	Percent of the Common Working File medical necessity and payment-related documentation and code analyzed	10%	12%	TBD
6	2007	Processes and Activities	Savings and Cost Avoidance	Number of Fraudulent Claims Identified.	TBD	TBD	TBD
7	2007	Technology	Data Reliability and Quality	Number of Business Rules documente	TBD	TBD	TBD
8	2007	Mission and Business Results	Health Care Administration	% reduction in contractor FTE supporting HCPCS activities	TBD	TBD	TBD

EA

In order to successfully address this area of the business case and capital asset plan you must ensure the investment is included in the agency's EA and Capital Planning and Investment Control (CPIC) process, and is mapped to and supports the FEA. You must also ensure the business case demonstrates the relationship between the investment and the business, performance, data, services, application, and technology layers of the agency's EA.

1. Is this investment included in your agency's target enterprise architecture?

yes

1.a. If no, please explain why?

Not Applicable.

2. Is this investment included in the agency's EA Transition Strategy?

yes

2.a. If yes, provide the investment name as identified in the Transition Strategy provided in the agency's most recent annual EA Assessment.

CMS Application Modernization (Medicare FFS Modernization). In order to provide HHS more detail and insight into our investments, last year's major initiative was split out into a separate investment.

2.b. If no, please explain why?

Not Applicable.

3. Identify the service components funded by this major IT investment (e.g., knowledge management, content management, customer relationship management, etc.). Provide this information in the format of the following table. For detailed guidance regarding components, please refer to <http://www.whitehouse.gov/omb/egov/>.

Component: Use existing SRM Components or identify as NEW. A NEW component is one not already identified as a service component in the FEA SRM.

Reused Name and UPI: A reused component is one being funded by another investment, but being used by this investment. Rather than answer yes or no, identify the reused service component funded by the other investment and identify the other investment using the Unique Project Identifier (UPI) code from the OMB Ex 300 or Ex 53 submission.

Internal or External Reuse?: Internal reuse is within an agency. For example, one agency within a department is reusing a service component provided by another agency within the same department. External reuse is one agency within a department reusing a service component provided by another agency in another department. A good example of this is an E-Gov initiative service being reused by multiple organizations across the federal government.

Funding Percentage: Please provide the percentage of the BY requested funding amount used for each service component listed in the table. If external, provide the funding level transferred to another agency to pay for the service.

Agency Component Name	Agency Component Description	Service Type	Component	Reused Component Name	Reused UPI	Internal or External Reuse?	Funding %
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1	Software Development	Development of software that will bring greater efficiencies to the existing Medicare claims processing systems.	Development and Integration	Software Development			No Reuse	25
2	Change Management	As the business rules in the fee for service claims areas changes, this system needs to adjusted and tested to carry out these changes.	Management of Processes	Change Management			No Reuse	25
3	Program/Project Management	Program and project management control over claims payment accuracy, program integrity, and the timely implementation of new and complex payment methods.	Management of Processes	Program / Project Management			No Reuse	40
4	Data Mining	Useful information retrieved from claims data through the processing of enrollment and claims information.	Knowledge Discovery	Data Mining			No Reuse	1
5	Ad Hoc	Application Modernization will provide the capability to produce ad hoc and standardized reports capable to deliver accurate and timely information to facilitate effective program management.	Reporting	Ad Hoc			No Reuse	1
6	Standardized / CAN	Application Modernization will provide the capability to	Reporting	Standardized / Canned			No Reuse	1

		produce ad hoc and standardized reports capable to deliver accurate and timely information to facilitate effective program management.						
7	Data Exchange	The exchange of information ensuring that appropriate claims payments have been made.	Data Management	Data Exchange			No Reuse	1
8	Extraction and Transformation	Application Modernization will conform to health industry standards such as HIPAA and provide interoperability with internal and external partnering organizations.	Data Management	Extraction and Transformation			No Reuse	1
9	NEW	Validity of enrollment and claims information	Customer Relationship Management	NEW			No Reuse	1
10	Information Retrieval	Processing claims involves the retrieval of information.	Knowledge Management	Information Retrieval			No Reuse	1
11	Information Sharing	The processing of claims for the coordination of benefits through the sharing of information.	Knowledge Management	Information Sharing			No Reuse	1
12	Record Linking / Association	The linking of entitlement information with claims information to validate that appropriate claims payments have been made.	Records Management	Record Linking / Association			No Reuse	1
13	Data Warehousing	Primary work is created from the data stored and collected in warehouses	Data Management	Data Warehouse			No Reuse	0

14	Meta Data Management	Defines the set of capabilities that support query processes	Data Management	Meta Data Management			No Reuse	0
15	Identification and Authentication	Provides services to ensure that information is kept secure.	Security Management	Identification and Authentication			No Reuse	0
16	Network Management	Defines the set of capabilities for the management of a network business	Organizational Management	Network Management			No Reuse	0

4. To demonstrate how this major IT investment aligns with the FEA Technical Reference Model (TRM), please list the Service Areas, Categories, Standards, and Service Specifications supporting this IT investment.

FEA SRM Component: Service Components identified in the previous question should be entered in this column. Please enter multiple rows for FEA SRM Components supported by multiple TRM Service Specifications.

Service Specification: In the Service Specification field, Agencies should provide information on the specified technical standard or vendor product mapped to the FEA TRM Service Standard, including model or version numbers, as appropriate.

	SRM Component	Service Area	Service Category	Service Standard	Service Specification (i.e., vendor and product name)
1	Software Development	Component Framework	Business Logic	Platform Dependent	Project still in requirements phase
2	Software Development	Component Framework	Presentation / Interface	Dynamic Server-Side Display	Project still in requirements phase
3	Identification and Authentication	Component Framework	Security	Supporting Security Services	Project still in requirements phase
4	Data Exchange	Service Access and Delivery	Service Transport	Service Transport	Project still in requirements phase
5	Software Development	Service Platform and Infrastructure	Software Engineering	Modeling	Project still in requirements phase
6	Software Development	Service Platform and Infrastructure	Software Engineering	Software Configuration Management	Project still in requirements phase
7	Software Development	Service Platform and Infrastructure	Software Engineering	Test Management	Project still in requirements phase
8	Software Development	Service Platform and Infrastructure	Support Platforms	Platform Dependent	Project still in requirements phase
9	Software Development	Service Platform and Infrastructure	Support Platforms	Platform Independent	Project still in requirements phase
10	Data Exchange	Component Framework	Data Interchange	Data Exchange	Project still in requirements phase
11	Standardized / Canned	Component Framework	Data Management	Database Connectivity	Project still in requirements phase
12	Data Warehouse	Service Interface and Integration	Integration	Enterprise Application Integration	Project still in requirements phase

13	Data Exchange	Service Interface and Integration	Integration	Middleware	Project still in requirements phase
14	Extraction and Transformation	Service Interface and Integration	Interoperability	Data Transformation	Project still in requirements phase
15	Meta Data Management	Service Interface and Integration	Interoperability	Data Format / Classification	Project still in requirements phase
16	Data Warehouse	Service Platform and Infrastructure	Database / Storage	Database	Project still in requirements phase
17	Data Warehouse	Service Platform and Infrastructure	Database / Storage	Storage	Project still in requirements phase
18	Network Management	Service Platform and Infrastructure	Hardware / Infrastructure	Local Area Network (LAN)	Project still in requirements phase
19	Network Management	Service Platform and Infrastructure	Hardware / Infrastructure	Wide Area Network (WAN)	Project still in requirements phase
20	Program / Project Management	Service Platform and Infrastructure	Hardware / Infrastructure	Network Devices / Standards	Project still in requirements phase
21	Data Mining	Service Interface and Integration	Interoperability	Data Types / Validation	Project still in requirements phase
22	Change Management	Service Platform and Infrastructure	Software Engineering	Software Configuration Management	Project still in requirements phase
23	Ad Hoc	Component Framework	Data Management	Reporting and Analysis	Project still in requirements phase
24	Extraction and Transformation	Service Interface and Integration	Interoperability	Data Transformation	Project still in requirements phase
25	Information Retrieval	Service Access and Delivery	Access Channels	Other Electronic Channels	Project still in requirements phase
26	Information Sharing	Service Access and Delivery	Access Channels	Other Electronic Channels	Project still in requirements phase
27	Record Linking / Association	Service Interface and Integration	Interoperability	Data Format / Classification	Project still in requirements phase

5. Will the application leverage existing components and/or applications across the Government (i.e., FirstGov, Pay.Gov, etc)?

no

5.a. If yes, please describe.

While this investment does not involve leveraging existing components or applications across the government at this time, we are monitoring and participating in the Enterprise Architecture, Federal Health Architecture and Electronic Health Record efforts and will coordinate and integrate as appropriate with the results of those efforts.

6. Does this investment provide the public with access to a government automated information system?

no

6.a.1. If yes, provide the specific product name(s) and version number(s) of the required software and the date when the public will be able to access this investment by any software (i.e. to ensure equitable and timely access of government information and services).

Not Applicable.

PART TWO

RISK

You should perform a risk assessment during the early planning and initial concept phase of the investment's life-cycle, develop a risk-adjusted life-cycle cost estimate and a plan to eliminate, mitigate or manage risk, and be actively managing risk throughout the investment's life-cycle.

Answer the following questions to describe how you are managing investment risks.

1. Does the investment have a Risk Management Plan?
yes
1.a. If yes, what is the date of the plan?
2005-01-12
1.b. Has the Risk Management Plan been significantly changed since last year's submission to OMB?
no
2.b. If no, what is the strategy for managing the risks?
Refer to Risk Summary Worksheet.
3. Briefly describe how investment risks are reflected in the life cycle cost estimate and investment schedule: (O&M investments do NOT need to answer.)
During the Business Case Analysis (BCA) development in 2004 and into 2005, the contractor compiling the Risk Management section, applied identifiable assessment risks associated with the project using the probability of occurrence, rating of the impact and a mitigation strategy for each. These risks are categorized in compliance with the office of Management and Budget's 19 criteria. Details can be found in Appendix D from the April 15, 2005 BCA document appendices. Each of the listed risks associated with Life Cycle Costs and those associated with OMB's 19 criteria have been documented in the Risk Management section of the BCS. Upon award of a development contractor, CMS shall ensure that all mitigation strategies associated with Risk Management will be incorporated into contract language between the agency and development contract.
COST & SCHEDULE
Does the earned value management system meet the criteria in ANSI/EIA Standard 748?
yes
2.a. What is the Planned Value (PV)?
29.310
2.b. What is the Earned Value (EV)?
29.310
2.c. What is the actual cost of work performed (AC)?
26.097
What costs are included in the reported Cost/Schedule Performance information?
Contractor and Government
2.e. As of date:
2006-12-10
3. What is the calculated Schedule Performance Index (SPI= EV/PV)?
1
4. What is the schedule variance (SV = EV-PV)?
0.000
5. What is the calculated Cost Performance Index (CPI = EV/AC)?
1.12
6. What is the cost variance (CV = EV-AC)?
3.213
7. Is the CV or SV greater than 10%?
yes
7.a. If yes, was it the CV or SV or both?
CV
7.d. What is most current Estimate at Completion?
60.852
8. Have any significant changes been made to the baseline during the past fiscal year?

no