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**From:** Joel Ario  
Director  
Office of Health Insurance Exchanges  
Office of Consumer Information and Insurance Oversight  
U.S. Department of Health and Human Services

Cindy Mann, J.D.  
CMS Deputy Administrator and Director  
Center for Medicaid, CHIP and Survey & Certification  
Centers for Medicare & Medicaid Services

**To:** State Medicaid Directors  
State Health Officials  
State Health Insurance Commissioners

**Subject: Federal Support and Standards for Medicaid and Exchange Information Technology Systems**

The Office of Consumer Information and Insurance Oversight (OCIIO) and the Centers for Medicare & Medicaid Services (CMS) are releasing today Federal Guidance and a Notice of Proposed Rulemaking to provide Federal direction and financial support to help States develop consumer-oriented information technology systems to implement key coverage provisions of the Affordable Care Act.

Today's two-part announcement includes guidance for IT systems that States would establish to enroll people who qualify for Medicaid or the Children's Health Insurance Program (CHIP), tax credits or cost-sharing reductions available through the Affordable Care Act. HHS also announced new Federal funding that will be available to all States to streamline and upgrade their Medicaid eligibility systems. These prudent, efficient technology investments will support a simple, coordinated, consumer-oriented system for individuals, families and businesses to sign up for the health insurance plan that they choose.

This release follows OCIIO's October 29, 2010 release of the Funding Opportunity Announcement (FOA) for competitive funding opportunities for States to design and implement the Information Technology (IT) infrastructure needed to operate Health Insurance Exchanges ("Exchanges"). The FOA can be accessed at [www.grants.gov](http://www.grants.gov) by searching for CFDA 93.525. It also builds on the collaborative work that included a number of State and local officials in the development of data interoperability standards called for in Section 1561 of ACA and approved by Secretary Sebelius on September 17, 2010. Those standards are accessible at <http://healthit.hhs.gov/portal/server.pt?open=512&mode=2&objID=3161>.

CMS and OCIIO are committed to working in close collaboration with States and other interested stakeholders on these critical tasks to implement the Affordable Care Act, particularly as we work together to build the Exchanges and modernize the Medicaid program. Since passage of the new law, we have engaged in extensive consultation with States, both together and one-by-one, and throughout these discussions States have consistently requested early guidance and funding assistance with the information technology and systems that undergird eligibility and enrollment for the Exchanges:

Today, we are releasing Guidance for Improved Information Technology Systems and a Notice of Proposed Rulemaking to provide enhanced funding for technology projects in Medicaid and the new Exchanges.

- **Joint OCIIO/CMS Guidance for Exchange and Medicaid Information Technology (IT) Systems.** The *Guidance for Exchange and Medicaid Information Technology (IT) Systems*, Version 1.0 will assist States with the design, development, implementation, and operation of IT and systems projects to support the Exchanges, Medicaid, and the Children’s Health Insurance Program (CHIP). This document provides an initial discussion of the direction for the effective support of business operations and processes required by the Affordable Care Act and will be followed by further guidance based on continued collaboration with States. This version of Exchange and Medicaid IT guidance also provides an early focus on the functions identified in the IT Funding Opportunity Announcement (FOA) released October 29, 2010. How each State constructs and assembles the components necessary to create its Exchange and Medicaid systems will vary and depend on the level of maturity of current systems, current governance and business models, size, and other factors. The IT guidance is available at [http://www.hhs.gov/ociio/regulations/health\\_insurance\\_exchange\\_info\\_tech\\_sys.html](http://www.hhs.gov/ociio/regulations/health_insurance_exchange_info_tech_sys.html).
- **Notice of Proposed Rulemaking on Federal Funding for Medicaid Eligibility Determination and Enrollment Activities.** This NPRM proposes that Medicaid eligibility determination systems will be potentially eligible for an enhanced Federal matching rate of 90 and 75 percent for development and maintenance respectively, under section 1903(a)(3) of the Social Security Act. This represents a significant increase above the 50 percent match rate currently available for such systems. The proposed rule describes a set of performance standards and conditions States must meet in order for their Medicaid technology investments (including traditional claims processing systems, as well as eligibility systems) to be eligible for the enhanced match. These standards and conditions are intended to maximize the extent to which States utilize modern and efficient technology development and deployment practices and produce reliable business outputs and outcomes, including interoperability with the Exchange. As proposed, the 90 percent matching rate will be available for eligibility systems until December 31, 2015, and the 75 percent match for such systems will be available beyond that date, assuming the conditions continue to be met. The State exchange grants will provide 100 percent support for Exchange IT infrastructure and now this 90 percent matching rate will be available for the Exchange-related Medicaid

eligibility system changes as well as for those Medicaid system changes not directly related to the Exchanges.

Together with the IT guidance and the FOA, this NPRM provides States with the authority to receive enhanced Federal support that is needed to achieve the higher degree of interaction and interoperability across Medicaid and the Exchanges. The proposed rule is on display at the *Federal Register* and is available at [http://www.ofr.gov/OFRUpload/OFRData/2010-27971\\_PL.pdf](http://www.ofr.gov/OFRUpload/OFRData/2010-27971_PL.pdf).

We hope you will find this information helpful. There will be an All State call to discuss this new guidance on Thursday, November 4, 2010 at 4 p.m. The call information will be provided through a separate announcement.

- Questions regarding the IT Guidance may be directed to Ms. Penny Thompson, Deputy Director, Center for Medicaid, CHIP and Survey & Certification, CMS, at 410-786-3870 and Mr. Henry Chao, Chief Information Officer, Office of Consumer Information and Insurance Oversight, at 301-492-4100.
- Questions about the NPRM may be directed to Ms. Penny Thompson, Deputy Director, Center for Medicaid, CHIP and Survey & Certification, CMS, at 410-786-3870.
- Comments on the Notice of Proposed Rulemaking may be submitted to [www.regulations.gov](http://www.regulations.gov)

We look forward to our continued collaboration as we build a health insurance market that is more consumer-friendly and transparent.