



D E P A R T M E N T O F

# Management & Budget

**REPORT OF PROPOSED  
CHANGES IN EXCESS OF  
\$500,000 TO CURRENT  
CONTRACTS FOR  
COMPUTER SOFTWARE  
DEVELOPMENT,  
HARDWARE  
ACQUISITION, OR  
QUALITY ASSURANCE**

Prepared for  
The Michigan Legislature

December 15, 2009

**Prepared for  
The Michigan Legislature**

**By  
The Department of Management and Budget  
Purchasing Operations**

**In accordance with  
Sec. 710 of Public Act 128 of 2009**

**Questions regarding this report may be directed  
to Greg Faremouth, (517) 241-1646**



**PREVIOUS CHANGES NOT LISTED ABOVE:**

	<b>TYPE OF CHANGE:</b>	<b>SAB APPROVAL DATE</b> (if applicable)	<b>VALUE OF CHANGE:</b>
<b>First CN</b>	#1 - Change DMB Buyer Name	N/A	\$0.00
<b>Last CN</b>	#5 - Increase due to Right Sizing the Contract	12/2/08	\$17,111,259.00

**Total number of processed changes to time, scope, and/or dollars: 2**

<b>FUNDING SOURCE:</b>	<b>PERCENTAGE</b>	<b>COMMENTS</b>
<b>Federal General Fund</b>	<b>75%</b> <b>25%</b> <b>(Original contract was 90% Federal and 10% General Fund)</b>	<b>Medicaid Title XIX (Federal)</b>

**ESTIMATED INCREASE DETAILED BY FISCAL YEAR(S):**

<b>FY</b>	<b>Dollar Amount</b>
2010	\$7,164,584.00

**PURCHASE JUSTIFICATION:**

**Description of Product/Service Modification Requested and Process Explanation:** The purpose of this request is for the expanded scope of performance testing, operation testing, and conversion testing activities, and a conversion manager essential for the Community Health Automated Medicaid Payment System (CHAMPS) to begin service on September 14, 2009. The CHAMPS system replaces the 30-year old legacy Medicaid Management Information System which supports all of the Medicaid health care claims, payments, and data required to operate the Medicaid program for the State's 1.7 million Medicaid beneficiaries.

**Purpose/Business Case of Amendment or Extension, and Expected Outcomes:** The purpose of this request is to fund tasks associated with the expanded testing scope, including testing 138 change requests, testing new interface requirements, performance engineering and testing to support new operational timelines and processes, increased parallel testing, and support for the data warehouse conversion extracts and interfaces. The total cost to perform the work is \$12.7 million. Client Network Service, Inc. absorbed \$5.6 million, or 44%, of these costs and this request represents the balance of the costs.

**Risk Assessment:** If this request is not approved, the State of Michigan will not be able to implement a certifiable Medicaid claims processing system and would not be eligible for federal funding to support the system or the Medicaid claims that exceed \$10 billion dollars.

**PRICE CLAUSE:**

**CS-138 #: 084S3000018**

**COST REDUCTION/SAVINGS CONSIDERATIONS:**

Check if > \$500,000 for software development, computer hardware acquisition or quality assurance?

**RECOVERY ACT FUNDS**

<b>Percent of Total</b>	0 %	<b>Amount</b>	\$
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**ED 2009-3 INFORMATION:**

**Agency Internal #:** 10-013

**BPO #:** 071B6200168

**REQ #:**

**PURCHASING APPROVALS**

N/A

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Pamela Platte, Buyer

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Manager Signature

\_\_\_\_\_  
Greg Faremouth  
IT Division Director

\_\_\_\_\_  
Sergio Paneque  
Senior Deputy Director,  
DMB Business Services Administration

**AGENCY APPROVALS**

Authorized Agency Representative (printed)
Authorized Agency Representative Signature

Return Information:
Contact Name: Pamela Platte
ID Mail: IT Division; 2 <sup>nd</sup> Fl Mason Bldg
Phone No.: 517-335-4804
e-Mail: plattep1@michigan.gov



		(if applicable)	<b>CHANGE:</b>
<b>First CN</b>	#1 - Change DMB Buyer Name	N/A	\$0.00
<b>Last CN</b>	#6 - Increase due to Expanded Testing Scope - pending approval at 12/15/09 SAB Meeting	12/15/09	\$7,164,584.00

**Total number of processed changes to time, scope, and/or dollars: 2**

<b>FUNDING SOURCE:</b>	<b>PERCENTAGE</b>	<b>COMMENTS</b>
<b>Federal Fund</b>	<b>75%</b>	<b>Medicaid Title XIX (Federal)</b>
<b>General Fund</b>	<b>25%</b>	
	<b>(Original contract was 90% Federal and 10% General Fund)</b>	

**ESTIMATED INCREASE DETAILED BY FISCAL YEAR(S):**

<b>FY</b>	<b>Dollar Amount</b>
2010	\$11,842,808.00
2011	\$7,895,205.00

**PURCHASE JUSTIFICATION:**

**Description of Product/Service Modification Requested and Process Explanation:** The purpose of this request is to provide operations support for a two year knowledge transfer/transition period, expand the transition period from one to two years, reorganize, and staff activities during the transition phase. This change will ensure that Department of Community Health (DCH) and Client Network Services, Inc. (CNSI) resources are available for critical activities during the first nine months after the Community Health Automated Medicaid Payment System (CHAMPS) begins service on September 14, 2009. The CHAMPS system replaces the 30-year old legacy Medicaid Management Information System which supports all of the Medicaid health care claims, payments, and data required to operate the Medicaid program for the State's 1.7 million Medicaid beneficiaries.

**Purpose/Business Case of Amendment or Extension, and Expected Outcomes:** The purpose of this request is to fund the tasks associated with the expanded transition period from one to two years, additional operations support, potential third party software, functionality enhancements, and potential enhancements associated with federal Medicaid policy, program and reporting changes. CNSI will have an increased role in managing the service level agreements and the operational procedures for system maintenance, the CHAMPS application, and operational support. CNSI will manage the in-scope infrastructure operations until a specified operations turnover date is mutually agreed upon, enhancement support for known enhancements and anticipated new enhancements, and extending the knowledge transfer resources.

In the previous contract change, CNSI absorbed \$5.6 Million in contract costs for expanded testing scope, which equates to a 6.6% reduction in the overall contract of \$84,454,168, which is the pre-go live change amount.

As a result of this change request, the CHAMPS system's functionality will be complete and stabilized, ensuring that DCH will have achieved certification from the Centers for Medicare and Medicaid Services. The Department does not anticipate the need for additional changes to this

contract at this time. However, DCH is always subject to changes in federal Medicaid program requirements which may require implementation of additional changes to CHAMPS.

**Risk Assessment:** If this change order is not approved, the State of Michigan will not be able to implement a certifiable Medicaid claims processing system and would not be eligible for federal funding to support the system or the Medicaid claims that exceed \$10 billion dollars.

**PRICE CLAUSE:**

CS-138 #: 084S3000018

**COST REDUCTION/SAVINGS CONSIDERATIONS:**

Check if > \$500,000 for software development, computer hardware acquisition or quality assurance?

**RECOVERY ACT FUNDS**

<b>Percent of Total</b>	0 %	<b>Amount</b>	\$
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**PURCHASING APPROVALS**

N/A

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Pamela Platte, Buyer

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Manager Signature

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IT Division Director

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Senior Deputy Director,  
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