



Fact Sheet

The Landscape for Medicaid and Healthcare Information Technology

In an effort to curb spending and improve the efficiency and effectiveness of healthcare delivery within Medicaid, states are actively working to apply healthcare information technology (HIT) within their Medicaid programs. The following fact sheet provides a background on Medicaid and the program's current initiatives to foster the use of HIT.

Background

Medicaid ranks among one of the largest components of state budgets, providing health and long-term care to low-income Americans. Serving over 55 million Americans, Medicaid is administered by states and is jointly financed by the federal and state governments. Federal government contributions range from 50% - 76% of total Medicaid spending, depending on per capita income. In 2005, total Medicaid spending reached \$305.3 billion,ⁱ an increase in \$34.4 billion from 2004.ⁱⁱ According to the National Association of State Budget Officer's (NASBO) "2006 State Expenditure Report," Medicaid accounted for the largest category of state spending at 21.5%, followed by elementary and secondary education at 21.4%. For 2007, NASBO estimates state Medicaid spending to rise by 7.3% in 2007.ⁱⁱⁱ The rise in Medicaid expenditures can be attributed to state and federal efforts to expand healthcare coverage, as well as the growing long-term care needs of the baby-boomer generation.

HIT and Medicaid

The use of information technology is nothing new within Medicaid. Since the early 1970s, states have received federal assistance for the development and operation of the Medicaid Management Information System (MMIS), a required system for Medicaid claims processing and information retrieval, unless otherwise waived by the Secretary. Public Law 92-603 provides for 90% federal financial participation (FFP) for the design, development, or installation, and 75% FFP for the operation of a MMIS.^{iv} Because of the limited functionality of MMIS, states have previously been forced to acquire additional, stand-alone information systems to integrate with MMIS to perform such functions as clinical support and data analysis. A lack of a common operating architecture and data standards among the aggregated systems routinely resulted in the inability to directly communicate and accurately exchange health information.

To address this problem, the Center for Medicaid and State Operations (CMSO) has been actively working to develop a common information technology framework for Medicaid. "MITA," the Medicaid Information Technology Architecture, is an architecture framework composed of principles, business and technical models, and guidelines for

enabling state Medicaid enterprises to meet their needs to administer and deliver healthcare. MITA is intended to serve as the “central nervous system” for Medicaid, helping Medicaid claim processing and information retrieval systems to perform among multiple platforms and health information to easily be accessed and shared throughout the delivery of care. The MITA Framework 2.0 is available and states are encouraged to apply elements of MITA that best align with their strategic and information technology goals.^v

Medicaid Transformation Grants

In 2006, enactment of the Deficit Reduction Act of 2005 (DRA) catapulted states’ engagement in transforming their Medicaid programs through IT. The DRA, an act that aimed to curb entitlement spending in some of our nation’s largest public programs, included \$150,000,000 to support states in developing innovative methods to improve the overall delivery of Medicaid. These “Transformation Grants” included \$75,000,000 for FY07 and \$75,000,000 for FY08. According to the DRA, permissible use of funds included such initiatives that encompassed reducing patient error rates through electronic health records, electronic clinical decision support tools, or e-prescribing, as well as initiatives to reduce fraud, waste, abuse, and improper payments and improve access to care.

Since 2007, the Centers for Medicare and Medicaid Services (CMS) has awarded 49 Transformation Grants to 35 states. Awarded in two rounds, January 2007 and October 2007, the Medicaid Transformation Grants supported a wide range of initiatives, such as enhancing clinical decision making through information technology, expanding e-prescribing, and providing electronic health records (EHRs) for children of foster care. Depending on an initiative’s scope, grant awards ranged from \$124,800 to \$11,749,500. Additional information on the Medicaid Transformation Grants, including awardees’ applications, can be accessed through CMS at:

<http://www.cms.hhs.gov/MedicaidTransGrants/>. In Appendix 1, please find “*Together for Quality: A Case Study of Alabama’s Medicaid Transformation Grant*” that details a state’s plans to implement EHRs within their Medicaid program.

Next Steps

Expect to see continued support for HIT within Medicaid in the coming years. This is largely due to the support of organizations that are dedicated to furthering the issue. Since late 2007, the National Association of State Medicaid Directors (NASMD) has sponsored the Multi-State Collaboration for Medicaid Transformation. The Collaboration is a volunteer group made up of state Medicaid directors and their staff who are interested in and working to transform healthcare, healthcare delivery and healthcare administration through HIT within their Medicaid programs. With the involvement of the federal agencies in the Collaboration, including HRSA, CMS, AHRQ, CDC and DoD, states have been sharing lessons learned, harmonizing approaches, standardizing tools (such as RFPs), and leveraging their Medicaid funding through the Medicaid Transformation Grants and MITA. Early next year, the Collaboration plans to hold a conference for states to examine major issues such as consent and provider

engagement, and use cases. Additional information on the Collaboration can be accessed at: http://www.nasmd.org/issues/medicaid_transformation.asp.

The State Alliance for e-Health, a partnership made up of state officials and representatives from the private sector, is also examining the issues and challenges surrounding Medicaid and HIT. Specifically, the taskforce has been charged for the past two years to examine Medicaid's relationship to HIT and provide some recommendations on how states can best use HIT to improve the delivery of care within their Medicaid programs. To date, taskforces have already delivered a series of recommendations on the issue to the State Alliance that addresses such areas of need as greater funding to develop workforce competencies in IT, the development of state supported incentive programs to encourage Medicaid providers to adopt HIT, and additional measures by Medicaid agencies to help ensure the portable, private, and secure access to personal health information by Medicaid enrollees. The State Alliance is expected to release a comprehensive report on their activities and final recommendations concerning Medicaid and other state-level HIT issues by the close of 2008. Additional information on the State Alliance can be accessed at: www.nga.org/center/ehealth.

HIMSS Comments

HIMSS will continue to closely monitor issues surrounding Medicaid and HIT. For more information on state HIT policy, please access the HIMSS State Dashboard (<http://www.himss.org/StateDashboard/>) or contact HIMSS State Government Relations at (703) 562- 8800.

ⁱ *Medicaid Program at a Glance*. The Kaiser Commission on Medicaid and the Uninsured. March 2007. Available at: <http://www.kff.org/medicaid/upload/7235-02.pdf>.

ⁱⁱ *Medicaid Enrollment and Spending Trends*. The Kaiser Commission on Medicaid and the Uninsured. May 2006. Available at: <http://www.kff.org/medicaid/upload/7523.pdf>.

ⁱⁱⁱ *2006 State Expenditure Report*. National Association of State Budget Officers. Fall 2007. Available at: <http://www.nasbo.org/Publications/PDFs/fy2006er.pdf>.

^{iv} *Overview: Medicaid Management Information System*. Centers for Medicare & Medicaid Services. Available at: <http://www.cms.hhs.gov/MMIS/>.

^v *What Is MITA?*. National Association of State Medicaid Directors. Available at: <http://www.nasmd.org/issues/docs/CMS'%20Medicaid%20Information%20Technology%20Architecture%20MITA%20Overview%202-07.pdf>.