

June 21, 2017

The Honorable Steve Yarbrough, President  
Arizona State Senate  
1700 W. Washington  
Phoenix, AZ 85007

The Honorable Javan D. Mesnard, Speaker of the House  
Arizona House of Representatives  
1700 W. Washington  
Phoenix, AZ 85007

The Honorable Debbie Lesko  
Chairman of the Senate Appropriations Committee  
Arizona State Senate  
1700 W. Washington  
Phoenix, AZ 85007

The Honorable Don Shooter  
Chairman of the House Appropriations Committee  
Arizona House of Representatives  
1700 W. Washington  
Phoenix, AZ 85007

Dear President Yarbrough, Speaker Mesnard, and Chairmen Shooter and Lesko:

Pursuant to A.R.S. § 36-2925, subsection H, AHCCCS is submitting this status report on the agreement between AHCCCS and the State of Hawaii for data processing activities using the AHCCCS Prepaid Medicaid Management System (PMMIS).

This report summarizes the financial and operational activities for the Interstate Agreement between AHCCCS and the Med-QUEST Division/Department of Human Services for Hawaii. In accordance with A.R.S. § 36-2927, Intergovernmental Services Funds have been set up to deposit the monies received from Hawaii and to account for the expenditures that are incurred on its behalf. Chart 1 (attached) summarizes the revenues and expenditures of monies from these funds for State Fiscal Year (SFY) 2016.

We currently work with Hawaii on the following:

1. On-going Hawaii Operations and Maintenance Support. Arizona continues to provide support for ongoing operations and maintenance for the PMMIS system. Hawaii is charged for work done by the AHCCCS Information Technology (IT) staff and independent contractors, a designated percentage of other specified AHCCCS personnel in IT, direct Hawaii costs, and a portion of AHCCCS indirect operating costs which benefit the project.

2. Medicaid and Children's Health Insurance Program Business Information Solutions (MACBIS). This project better enables the States to collect data in a more timely and synchronized manner to create an integrated view of the programs for better decision making. The Arizona portion was implemented in December of 2016. The Hawaii portion is in the testing phase of the project.

3. We have recently started analysis for the Health Insurance Portability and Accountability Act (HIPAA) transaction standards changes in the latest version 7030.

4. Data Warehouse and Decisions Support Information Infrastructure Transformation. This project will transform the Data Warehouse and Decision Support System to a more mature infrastructure. This project is currently being developed for Arizona and Hawaii.

5. The 1095-B process for reporting insurance coverage to the IRS. This is a federal mandate. This is currently being developed for Arizona and Hawaii.

6. We have recently completed the Medicaid Information Technology Architecture (MITA) state self-assessment as required by the Centers for Medicare and Medicaid Services (CMS). This was a joint venture between Arizona and Hawaii.

7. Social Security Number Replacement Initiative (SSNRI). This is a federal mandate to implement a new identification number in replacement of SSN for Medicare members who are dually eligible for Medicare and Medicaid. The new number will be used for data exchanges with members, providers, and health plans.

### **HAPA Savings**

Financial activities for the HAPA Savings fund, which was set up to track the dollars related to the savings achieved due to the HAPA Project, are illustrated in Chart 1A which is attached. For Fiscal Year 2016 we were able to add over \$850,000 to the fund as a result of shared costs and work performed for Hawaii.

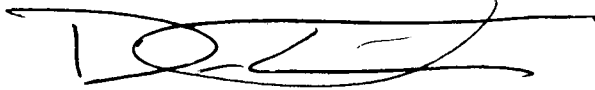
### **Project Summary**

As a result of this joint venture, both states have been able to share costs, knowledge and strategies for more efficient day to day operations as well as for special projects. We continue to serve as a model for other potential state joint ventures and look forward to many more years working together with continued successes.

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If you have any questions regarding this report or the project itself, please feel free to contact me at (602) 417-4277.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dan Lippert', written over a horizontal line.

Dan Lippert  
AHCCCS, Assistant Director/Chief Information Officer

Enclosure

Cc: Lorenzo Romero, Director, Governor's Office of Strategic Planning and Budgeting  
Bret Cloninger, Assistant Director, Governor's Office of Strategic Planning and Budgeting  
Richard Stavneak, Director, Joint Legislative Budget Committee  
Christina Corieri, Senior Policy Advisor, Office of the Governor

**AHCCCS Hawaii Intergovernmental Service Funds  
Revenues/Expenditures and Fund Balance  
Fiscal Year 2016  
Chart 1**

**Chart 1A**

<i>Fund 2439-HAPA Savings</i>			
<i>Revenues/Expenditures</i>		<i>Fund Balance</i>	
<b>Revenues</b>			
Indirect Transfers In*	\$ 560,709	Beginning Fund Balance FY 2016	\$ 1,380,273
Personal Services & ERE**	294,500		
	<u>855,209</u>	Expenditures in Excess of Revenues	<u>(187,262)</u>
<b>Expenditures</b>			
Salary & ERE	1,042,471	Ending Fund Balance FY 2016	<u>\$ 1,193,011</u>
Other Professional & Outside Services			
Travel - In-State			
External Programming - Mainframe			
Repair & Maintenance			
Software Support & Maintenance			
Capital Equipment			
Non Capital Equipment			
Other			
Operating Transfers			
	<u>1,042,471</u>		
<b>Expenditures in Excess of Revenues</b>	<b>\$ (187,262)</b>		

\* State Match portion of designated AHCCCS Operating Costs which are allocated and charged to Hawaii  
 \*\* State Match portion of employees' salaries representing work done on the HAPA project charged back to Hawaii

**Chart 1B**

<i>Fund 2442-ISA #3 ( Ongoing, Data Warehouse/Decision Support System, ICD-10, Transformed Medical Statistical Information System, Program Integrity, Security Enhancement )</i>			
<i>Revenues/Expenditures</i>		<i>Fund Balance</i>	
<b>Revenues</b>			
Advanced from HI for expenditures	\$ 5,997,989	Beginning Fund Balance FY 2016	\$ 1,473,455
Interest earned on HI fund balance	10,034		
	<u>6,008,024</u>	Expenditures in Excess of Revenues	<u>(733,306)</u>
<b>Expenditures</b>			
Personal Services & ERE	2,939,088	Ending Fund Balance FY 2016	<u>\$ 740,149</u>
Professional & Outside Services	21,961		
External Programming-Mainframe	472,639		
Travel	-		
Internal Service-Data Processing	1,673,330		
Software Support & Maintenance	569,815		
Capital & Non Capital Equipment	16,461		
Indirect Cost Transfers Out	990,000		
Other	58,036		
	<u>6,741,330</u>		
<b>Expenditures in Excess of Revenues</b>	<b>\$ (733,306)</b>		

Note: This fund is comprised of deposits from Hawaii that are contractually restricted for Hawaii's use to pay its share of PMMIS and other expenditures.

Copy of FY 2016 HAPA Funds Activity Report Annual Activity

HAWAII ARIZONA PMMIS ALLIANCE (HAPA) FUND 2442 BALANCE  
FEDERAL FISCAL YEAR 2016

	FY 2015	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	FY 2016
Beginning Fund Balance	526,938	1,473,456	1,751,619	1,253,690	1,107,074	1,053,551	1,292,673	1,833,118	1,043,550	1,238,439	896,672	1,755,207	1,317,288	1,473,456
<b>Revenues</b>														
State & Local Government-Other	7,985,345	513,083	-	399,826	527,627	497,881	1,029,572	-	604,949	537,475	1,396,955	-	490,005	5,997,374
Treasurer's Interest Income	6,956	660	295	829	761	512	773	960	430	834	1,263	831	1,888	10,034
Other	5,072	-	-	-	-	152	-	-	-	-	464	-	-	615
<b>Total Revenues</b>	<b>7,997,373</b>	<b>513,743</b>	<b>295</b>	<b>400,655</b>	<b>528,388</b>	<b>498,544</b>	<b>1,030,345</b>	<b>960</b>	<b>605,379</b>	<b>538,310</b>	<b>1,398,681</b>	<b>831</b>	<b>491,893</b>	<b>6,008,024</b>
<b>Expenditures</b>														
Personal Services <sup>1</sup>	2,058,246	43,241	265,741	235,983	168,371	171,251	173,252	154,781	170,860	228,460	206,442	170,597	166,226	2,155,204
ERE <sup>2</sup>	784,417	16,902	101,176	88,870	62,530	64,728	65,870	56,036	61,213	82,930	68,645	60,010	54,974	783,884
Other External Financial Services	-	-	-	12,180	4,433	4,514	-	-	-	-	-	835	-	21,961
Non-Employee Travel	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Professional & Outside Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Travel	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ex. Prog. Mainframe-SD Consultants	670,372	-	40,130	5,620	67,829	3,160	11,419	86,112	32,365	31,642	65,578	64,617	42,932	451,406
Equipment	49,478	-	823	-	-	-	-	-	-	-	-	-	15,638	16,461
Internal Service-Data Processing	1,737,649	152,197	-	117,254	259,042	-	-	257,415	121,313	266,238	166,740	-	393,131	1,673,330
Indirect Cost Transfers Out	990,000	-	-	-	-	-	214,090	214,090	-	214,090	-	-	347,730	990,000
Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Direct Charges	606,834	-	90,015	87,365	19,706	8,499	275	28,094	18,899	56,716	32,742	142,690	108,399	593,401
Current Year Expenditures	6,896,994	212,341	497,884	547,271	581,911	252,152	464,906	796,528	404,650	880,076	540,147	438,750	1,069,031	6,685,647
Prior Year Expenditures	153,861	23,239	340	-	-	7,270	18,994	-	5,840	-	-	-	-	55,684
Subtotal Expenditures	7,050,855	235,580	498,224	547,271	581,911	259,422	483,900	796,528	410,490	880,076	540,147	438,750	1,069,031	6,741,330
Claims Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>7,050,855</b>	<b>235,580</b>	<b>498,224</b>	<b>547,271</b>	<b>581,911</b>	<b>259,422</b>	<b>483,900</b>	<b>796,528</b>	<b>410,490</b>	<b>880,076</b>	<b>540,147</b>	<b>438,750</b>	<b>1,069,031</b>	<b>6,741,330</b>
Fund Increase/(Decrease)	946,517	278,163	(497,929)	(146,616)	(53,523)	239,122	546,445	(795,568)	194,888	(341,766)	858,534	(437,919)	(577,139)	(733,306)
Ending Fund Balance	1,473,456	1,751,619	1,253,690	1,107,074	1,053,551	1,292,673	1,839,118	1,043,550	1,238,439	896,672	1,755,207	1,317,288	740,149	1,473,456

<sup>1</sup> Includes Regular Base Salary, Annual Leave, Sick Leave, Compensatory Leave, and Personal Services Budget & Approp (Adj) for Non-HAPA time, Non-HAPA Charges etc)

<sup>2</sup> Includes FICA, Med. Ins., Basic Life, LTD, Unemp. Comp., Worker's Comp, ASRS, Personnel System and Info Tech Pro Rate Charges, Accumulated Sick Leave Fund Charge, and ERE Budget & Approp (HAPA Adjustments)

HAWAII ARIZONA PMMIS ALLIANCE (HAPA) FUND 2439 BALANCE  
FEDERAL FISCAL YEAR 2016

	FY 2015	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	FY 2016
Beginning Fund Balance	1,565,124	1,380,272	1,380,272	1,459,549	1,517,807	642,141	689,546	808,956	922,556	47,384	179,855	233,181	279,593	1,380,272
<b>Transfers-In:</b>														
PS/ERE/Admin/Leave	791,386	-	79,277	58,258	44,400	47,404	119,411	113,600	44,894	132,471	53,326	46,413	115,756	855,209
Personal Services	360,437	-	57,382	42,413	32,654	34,618	33,277	29,430	33,139	43,713	40,259	34,490	31,387	412,761
Employee Related Expenditures	136,449	-	21,895	15,846	11,746	12,786	12,509	10,545	11,755	15,133	13,067	11,923	10,744	147,948
Indirect Charges	294,500	-	-	-	-	-	73,625	73,625	-	73,625	-	-	73,625	294,500
Total PS/ERE/Admin/Leave	791,386	-	79,277	58,258	44,400	47,404	119,411	113,600	44,894	132,471	53,326	46,413	115,756	855,209
<b>AFIS Adjustments:</b>														
ISD Expenditure Transfer Reversal	-	-	-	-	-	-	-	-	-	-	-	-	797,661	797,661
Total AFIS Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	797,661	797,661
Total Transfers-In	791,386	-	79,277	58,258	44,400	47,404	119,411	113,600	44,894	132,471	53,326	46,413	913,417	1,652,870
<b>Transfers-Out:</b>														
ISD App PS & ERE Transfers	952,838	-	-	-	920,066	-	-	-	920,066	-	-	-	-	1,840,132
Annual AFIS Charges	23,400	-	-	-	-	-	-	-	-	-	-	-	-	-
Legislative Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Transfers-Out	976,238	-	-	-	920,066	-	-	-	920,066	-	-	-	-	1,840,132
Fund Increase/(Decrease)	(184,852)	-	79,277	58,258	(875,666)	47,404	119,411	113,600	(875,172)	132,471	53,326	46,413	913,417	(187,262)
Ending Fund Balance	1,380,272	1,380,272	1,459,549	1,517,807	642,141	689,546	808,956	922,556	47,384	179,855	233,181	279,593	1,193,010	1,193,010