

March 14, 2016

The Honorable Andy Biggs, President
Arizona State Senate
1700 West Washington
Phoenix, Arizona 85007

The Honorable David M. Gowan Sr.
Speaker of the House
Arizona House of Representatives
1700 West Washington
Phoenix, Arizona 85007

The Honorable Don Shooter
Chairman of the Senate Appropriations Committee
Arizona State Senate
1700 West Washington
Phoenix, Arizona 85007

The Honorable Justin Olson
Chairman of the House Appropriations Committee
Arizona House of Representatives
1700 West Washington
Phoenix, Arizona 85007

Dear President Biggs, Speaker Gowan, and Chairmen Shooter and Olson:

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) 2015.

AHCCCS is currently working in partnership 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. This is a project that is currently being tested and enhanced for both Arizona and Hawaii.

3. International Classification of Diseases, 10th Revision (ICD-10). This is a federal mandate to conform with the new code set standard. The core of this project was implemented in FY'15. The remainder (999 lines expansion) is currently being developed for Arizona and Hawaii.

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.

HAPA Savings

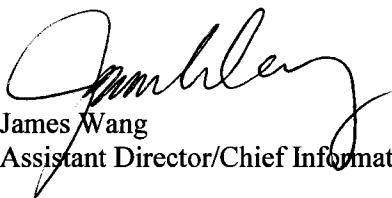
Financial activities for the HAPA Savings fund, which was set up to track the dollars related to the savings achieved due to the HAPA Project, are illustrated in Chart 1A which is attached. For Fiscal Year 2015 we were able to add almost \$800,000 to the fund as a result of shared costs and work performed 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.

If you have any questions regarding this report or the project itself, please feel free to contact me at (602) 417-4776.

Sincerely,



James Wang
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, Governor's Office Health Policy Advisor

AHCCCS Hawaii Intergovernmental Service Funds
Revenues/Expenditures and Fund Balance
Fiscal Year 2015
Chart 1

Chart 1A

<i>Fund 2439-HAPA Savings</i>			
<i>Revenues/Expenditures</i>		<i>Fund Balance</i>	
Revenues			
Indirect Transfers In*	\$ 294,500	Beginning Fund Balance FY 2015	\$ 1,565,125
Personal Services & ERE**	496,886		
	<u>791,386</u>	Expenditures in Excess of Revenues	<u>(184,852)</u>
Expenditures			
Salary & ERE	952,838	Ending Fund Balance FY 2015	\$ <u>1,380,273</u>
Other Professional & Outside Services			
Travel - In-State			
External Programming - Mainframe			
Repair & Maintenance			
Software Support & Maintenance			
Capital Equipment			
Non Capital Equipment			
Other	23,400		
Operating Transfers			
	<u>976,238</u>		
Expenditures in Excess of Revenues	\$ <u>(184,852)</u>		

* 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)</i>			
<i>Revenues/Expenditures</i>		<i>Fund Balance</i>	
Revenues			
Advanced from HI for expenditures	\$ 7,990,417	Beginning Fund Balance FY 2015	\$ 526,938
Interest earned on HI fund balance	6,956		
	<u>7,997,373</u>	Revenues in Excess of Expenditures	<u>946,517</u>
Expenditures			
Personal Services & ERE	2,842,662	Ending Fund Balance FY 2015	\$ <u>1,473,455</u>
Professional & Outside Services	14,928		
External Programming-Mainframe	674,102		
Travel			
Internal Service-Data Processing	1,870,998		
Software Support & Maintenance	523,236		
Capital & Non Capital Equipment	49,478		
Indirect Cost Transfers Out	990,000		
Other	85,451		
	<u>7,050,854</u>		
Revenues in Excess of Expenditures	\$ <u>946,517</u>		

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.