July 17, 1998

Dear State Medicaid Director:

The purpose of this letter is to share with you HCFA's Millennium Compliance Strategy as it relates to State Medicaid Management Information Systems (MMIS) and to reinforce the importance of your efforts with regard to the Year 2000 Problem. As you know, under Section 1903(r) of the Social Security Act, States are required to "provide efficient, economical, and effective administration" of the State's Medicaid program. In addition, State systems must be "compatible with the claims processing and information retrieval systems used in the administration of title XVIII."

In order to ensure that State Medicaid agencies can fulfill the basic requirements enumerated in law, I am writing to ask for your assistance in assuring that there will be minimal disruption to the administration of the Medicaid program as a result of the millennium change. Therefore, we are asking States to take the following steps:

- Certify in writing to HCFA that the State's MMIS, and mission-critical interfaces, are Y2K compliant by March 30, 1999. This March 1999 compliance date is consistent with GAO guidelines. A standardized certification form will be provided to you for your completion at a later date. If certification is expected beyond that date, we ask that you indicate in writing when you expect certification to occur.
- Document your contingency plans with respect to the MMIS.
- Work with the HCFA Regional Office Y2K staff in a timely manner to provide information on your progress in addressing the year 2000 computer problem.

(Please note: HCFA will provide additional information concerning these issues in subsequent letters.)

With regard to contingency plans, we are seeking documentation for State MMISs generally, with particular emphasis on high risk mission-critical interfaces, and for those States that plan to implement a new system before the new millennium. It is of utmost importance that State Medicaid Agencies have comprehensive contingency plans for dealing with situations where systems may not be Y2K ready. In order to minimize the risk to vital services and operations, such as those of State Medicaid Agencies, comprehensive contingency plans must be in place. We have enclosed a copy of Year 2000 Computing Crisis: Business Continuity and Contingency Planning, Exposure Draft, March 1998 (GAO/AIMD10.1.19) to assist you in the development of your contingency plans.

In addition, HCFA strongly recommends that the State contract for Independent Verification and Validation (IV&V) services. An important element for testing systems for Y2K compliance can be independent verification and validation. This involves employing the services of a qualified contractor or other external organization to review the organization's systems for Y2K compliance. An independent evaluation can take an unbiased view of an organization's systems to provide another level of risk mitigation in dealing with the Y2K problem. At the Federal level all agencies have been required to include IV&V as an element of their Y2K
testing. Therefore, I strongly recommend that State Medicaid Agencies include IV&V as an element in their testing plans. HCFA will provide 75% FFP for such IV&V services as a regular operational activity.

HCFA is taking this problem very seriously and has undertaken an aggressive strategy with regard to the millennium change. We once again urge you to communicate with your trading partners with whom you interface and exchange data (including managed care plans and providers) to make sure that they are taking appropriate steps toward Y2K compliance. This is extremely important, because systems on each end of these interfaces must by Y2K compliant for the information interchange to function.

States may access additional information concerning the Year 2000 Problem via the following Internet address:

HTTP://WWW.HCFA.GOV/Y2K/

Thank you for your assistance in this matter. We request that you make sure that Y2K compliance is a top priority in your agency and that all possible resources have been dedicated to this project.

If you have any questions related to this letter, please contact Rachel Block of my staff at rblock@hcfa.gov.

Sincerely,

/s/
Sally Richardson
Director,
Center for Medicaid and State Operations