SHO #25-003

RE: Streamlining Medicaid Enterprise Systems (MES) Templates to Improve Monitoring and Oversight to Ensure Fiscal Integrity

August 6, 2025

Dear State Health Official:

Introduction

The Centers for Medicare & Medicaid Services (CMS) is releasing this State Health Official (SHO) letter to provide updated guidance specific to state compliance with regulatory requirements for Medicaid Enterprise System (MES) modules and solutions. This letter documents CMS' ongoing efforts to reduce state burden and streamline and standardize state project reporting and oversight in the following areas:

- o MES Advance Planning Documents (APDs) and MES Medicaid Detailed Budget Tables (MDBT) templates

- o Operational Reporting Requirements

- o Analysis of Alternatives (AoA)

- o Submission of Project Status Reports

- o Request for Proposal (RFP) Checklists

- o Sunsetting the Electronic Visit Verification (EVV) Outcomes-Based Certification (OBC) to align with Streamlined Modular Certification (SMC)

This SHO letter focuses on process and template simplification to facilitate and improve states' ability to follow CMS guidelines regarding APD and operational reporting submission, while increasing the efficiency and effectiveness of CMS's MES project oversight and APD reviews to improve monitoring and oversight to ensure fiscal integrity. This SHO letter clarifies previous

guidance[1,2,3] for state reporting[4] on MES projects and will support CMS certification of EVV systems through the SMC framework as CMS sunsets the existing EVV OBC process. States should fully transition to the new templates across the MES lifecycle. We expect states to transition to the new templates within 6 months of the Paperwork Reduction Act (PRA) approval.

Effective administration of Medicaid and Children's Health Insurance Program (CHIP) programs increasingly relies on robust information technology systems. To ensure the success of information technology (IT) initiatives, it is essential that state program leadership and staff work in close partnership with their Medicaid and CHIP Chief Information Officers (CIOs), or State CIOs where appropriate. Early and ongoing collaboration between program and IT teams helps break down organizational silos, improves project oversight, and supports the shared goals of both operational and technological stakeholders.

Background

In April 2022, State Medicaid Director Letter (SMDL) 22-001[5] announced the transition to the SMC framework, which emphasizes metric data and operational reporting rather than checklists. As part of continuous process improvement, CMS continued to seek feedback on our processes after releasing this SMDL. Feedback from focus groups, OBC pilots, and state technical assistance highlighted the need for more support resources for this transition. To address these needs, CMS began developing new standardized templates.

These templates are expected to expedite the review process for funding, encourage states to consider alternatives and reuse, standardize operational and status reporting to ensure the project is progressing according to the milestones in the APD, and facilitate a unified certification process applicable to all MES modules. The thoughtful development of standardized project materials for states improves CMS' oversight capability to ensure CMS spends appropriately on systems that are in alignment with 42 C.F.R. § 433.112(b)(1)—that is, systems that are likely to provide more efficient, economical, and effective administration of the state Medicaid program, and meet the other Medicaid Conditions for Enhanced Funding (CEF) pursuant to 42 CFR 433.112(b).

MES Advance Planning Documents, including Medicaid Detailed Budget Table (MDBT) Templates

In 2022, CMS began collaborating with states to improve the APD submission process and APD templates to better reduce the states' burden in creating these documents. CMS gathered feedback from these discussions to explore ways to improve the templates and ensure states remain in compliance with 45 CFR 95.610.

CMS is introducing three APD templates to improve standardization of submissions: the MES APD template, the MES Operational APD (OAPD) Template, and the MES MDBT+CHIP template. Following Office of Management and Budget (OMB) PRA approval, states should use

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[1] https://www.medicaid.gov/federal-policy-guidance/downloads/smd16009.pdf
[2] https://www.medicaid.gov/federal-policy-guidance/downloads/smd16010.pdf
[3] https://www.medicaid.gov/federal-policy-guidance/downloads/smd18005.pdf
[4] Under OMB control number 0938-1268 (CMS-10536).
[5] https://www.medicaid.gov/federal-policy-guidance/downloads/smd22001.pdf

the MES APD template for all APD submission types (Planning, Implementation, Update, and As-Needed) except Operational. The MES APD template is tailorable to a state's needs and may be used to request individual Medicaid Management Information System (MMIS) or Eligibility and Enrollment (E&E) project funding. The MES APD template can also be used to request funding for combined MMIS and E&E projects. These APD templates will replace the current OMB-approved template for E&E APDs. [6] Similarly, states should complete and submit the new OAPD template to obtain CMS approval for APDs requesting funding for maintenance and operations (M&O) or Operational Advance Planning Document (OAPD) Update submissions, whether for MMIS, E&E, or both.

The MES MDBT+CHIP template employs a standardized structure and format for the detailed budget table data associated with MMIS and E&E submissions. States can now combine MMIS and E&E submissions, which reduces the number of different files involved in the APD submission process and shortens CMS' time to review and approve submissions. This new template structure also groups project tabs into New/Update, No Change, and Closed categories and includes new tabs for Total, MMIS Total, and E&E Total for cumulative reporting budgets.

Operational Reporting Requirements

Over the past two years, states, vendors, and CMS MES State Officers have provided valuable feedback on the MES Data Submissions and Intake Procedures Manual, which explains the data review and submission requirements throughout the APD approval process and the Operational Report Workbook pilot. Stakeholders reported that inconsistent submission formats delayed state data processing and caused frustration at both state and federal levels. Additionally, as states improved their systems, they needed flexibility in developing metrics, often redefining or retiring obsolete ones. The updated Operational Report Workbook addresses these concerns by standardizing data submission formats and allowing states to update the viability and value of their metrics.

States' MES solutions must produce data, reports, and performance information that would contribute to program evaluation and continuous improvement in business operations as a condition of enhanced Medicaid federal matching for MES expenditures (42 CFR 433.112(b)(15) and 433.116(b), (c), and (i)). Each state seeking enhanced Medicaid federal financial participation (FFP) should include operational system data with its OAPD submissions.

CMS views the metrics included in operational reports as indicators measuring whether associated systems and modules meet CMS-required and/or state-specific outcomes; whether these systems and modules facilitate more efficient, economical, and effective administration of the Medicaid State Plan pursuant to 42 CFR 433.112(b)(1); and whether CHIP systems are efficient, economical, and effective, consistent with 45 CFR 95.615. CMS can request that states update metric definitions and resubmit the modified metrics via an APD. States that do not submit operational reporting will be considered non-compliant with the applicable regulations and could lose enhanced Medicaid FFP or CHIP federal funding.

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[6] Under OMB control number 0938-1268 (CMS-10536).

States will submit monthly operational reports[7] using the Operational Report Workbook and upload the file to the appropriate metrics file location in the CMS designated repository. Additionally, every OAPD submission should include an attestation specifying the CMS repository folder location of the submitted Operational Report Workbooks. This process helps to ensure compliance with reporting requirements for enhanced Medicaid FFP. Reports should cover data from the system's go-live date or the last OAPD submission through the most recent month of available data. This data can be submitted in one or multiple Operational Report Workbooks; CMS recommends one module per Operational Report Workbook. For assistance, please contact your CMS MES State Officer.

The updates to the MES Data Submissions and Intake Procedures Manual and corresponding state completion and submission of the Operational Report Workbook are designed to improve data quality and reporting consistency, which in turn strengthens CMS's ability to oversee each state's individual projects. The enhanced insight into state system performance and related business operations facilitated by improved state operational reporting should better allow states to demonstrate their ongoing compliance with applicable federal regulations, and help mitigate fraud, waste, and abuse of federal Medicaid and CHIP funds supporting state MES modules and components.

Analysis of Alternatives (AoA)

In support of an APD submission requesting enhanced Medicaid FFP or CHIP federal funding for an MES development project, states must conduct and document an AoA per 45 CFR 95.610(b)(3), and are expected to include an associated enterprise reuse plan to help ensure compliance with 42 CFR 433.112(b)(13). The AoA is a systematic and comprehensive process to help the state reduce costs, accelerate development and implementation, and improve the overall quality and maturity of its Medicaid and CHIP programs. AoAs help stakeholders assess the strengths, weaknesses, risks, and benefits of different options and outcomes, allowing for more informed and strategic choices before making the most efficient, economic, and effective decisions. AoAs may uncover better solutions that are new to the market or offer reuse of an existing solution. The market research portion of the AoA requests that the state collaborate with other states on systems available for reuse.

CMS created an AoA template to standardize compliance with and enforcement of these federal requirements while simultaneously reducing the administrative burden of reporting on AoA and reuse. States will be expected to use the template to complete Section 5 of the new MES APD and/or Appendix A of the new MES OAPD. The guidance and checklists provided in the AoA template will help states navigate developing a comprehensive analysis of alternatives and an enterprise reuse plan, if necessary, and ensure proper documentation. It is vital that business and technical stakeholders, inclusive of agency CIOs, participate in the AoA and that states schedule sufficient time to conduct the AoA between the submission of their Planning APD (PAPD) and their Implementation APD (IAPD).

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[7] In accordance with 45 CFR § 95.615, the state must allow the Department of Health and Human Services (DHHS) access to the system in all of its aspects, including operational records, at such intervals as are deemed necessary by the Department to determine whether the conditions for approval are being met and to determine the efficiency, economy and effectiveness of the system.

Reuse and AoA are intrinsically linked because opportunities for reuse are often identified in the Market Research phase of an AoA process and evaluated against other solutions (and the status quo) in the assessment phase. If states are unfamiliar with how to conduct an AoA, they can refer to the Government Accountability Office (GAO), *Report to Congressional Committees, Amphibious Combat Vehicle: Some Acquisition Activities Demonstrate Best Practices; Attainment of Amphibious Capability to be Determined* (Oct. 2015); Appendix 1, Best Practices for the Analysis of Alternatives Process, Table 1, "Best Practices for the Analysis of Alternatives (AOA) Process."[8] States can also request technical assistance directly from their CMS MES State Officer.

Submission of Project Status Reports

States submit monthly project status reports in support of MES projects receiving enhanced Medicaid FFP, as noted in the Streamlined Modular Certification (SMC) for MES Guidance (Certification Guidance) document released with SMDL #22-001. States will use the new Project Status Report template to provide consistent, structured data for reporting and enable timely decision-making and adjustments to project plans. This template provides the state with a vehicle for submitting timely updates on the project's status to the CMS MES State Officer, including progress since the last report, funding status, risks, issues, and achievement of major milestones. States pursuing certification will submit a project status report monthly. States will submit the project status report using the project status template and upload the file to its appropriate file location in the CMS designated repository. For assistance, please contact your CMS MES State Officer.

Request for Proposal Checklist

Following OMB PRA approval, states should include a completed RFP checklist with all RFPs submitted to CMS for prior approval, consistent with 45 CFR 95.611.[9] The new checklist template will help states demonstrate the completeness of the submitted RFP and the state's acquisition strategy to support the system implementation described in the previously approved APD. This new RFP Checklist template provides the CMS MES State Officer with a clear and concise view of the state's acquisition strategy.

Sunsetting EVV OBC to Align with SMC

Since the release of SMDL #22-001, at least 43 states have completed certification for one or more EVV Modules under the Medicaid program (EVV requirements do not apply to a separate CHIP). Various challenges have arisen in these certification reviews because of differences and inconsistencies between the process for certification of EVV modules through OBC and certification of MMIS and E&E modules through SMC. Aligning EVV OBC and SMC will create efficiencies in the process for states and CMS. This letter provides guidance to states on the integration of the EVV OBC process into the SMC process, with updates also reflected in the SMC Guidance.

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[8] https://www.gao.gov/assets/gao-16-22.pdf.
[9] State Medicaid Manual: State Organization and General Administration, Section 2083.5 https://www.cms.gov/regulations-and-guidance/guidance/manuals/paper-based-manuals-items/cms021927

Following OMB PRA approval, CMS will sunset the existing EVV OBC process and transition the EVV module to the SMC process for current and future EVV projects. To minimize impact, for any future EVV certification reviews, states should collaborate with their CMS MES State Officer to determine the optimal transition strategy. Any EVV certifications currently scheduled or underway may follow the OBC process. In support of this alignment, the following certification changes apply:

- **SMC Intake Form:** The unification of the EVV OBC and SMC processes eliminates the current EVV Intake Form and replaces it with the SMC Intake Form. All modules, including MMIS, E&E, and EVV, will be input into the SMC Intake Form. A pre-populated Intake Form will be available for EVV modules on the MES Certification Repository.[10] States should provide evidence for both outcomes and the Medicaid Conditions for Enhanced Funding (CEF) for all modules, including EVV. States should annotate which CEFs are not applicable to their EVV module with attested justifications within the SMC Intake Form. To complete their review, states should provide the pre-identified EVV outcome evidence.

  Along with the adoption of the SMC Intake Form, EVV modules will now be adjudicated with the measures of "Evidence Satisfactory" and "Evidence Not Satisfactory." States will continue to receive observations and recommendations from CMS following the completion of an Operational Readiness Review and Certification Review.

- **SMC Artifacts identified in the MES Certification Guidance document**[11]**:** States will provide all relevant evidence aligning to EVV outcomes in addition to the SMC artifacts detailed in the MES Certification Guidance document when conducting a review for EVV. States will submit to CMS all germane SMC artifacts and evidence, including privacy and security documentation. Throughout this process, CMS expects states to comply with all applicable federal and state privacy and security laws and other applicable laws relevant to the handling of electronic personally identifiable information (PII)/protected health information (PHI). Failure to provide the pertinent SMC artifacts and evidence may cause delay or disapproval of certification.

- **Metrics and Operational Reporting for Certification:** To request a certification review, a state's system should have been in production for at least six months and have data from the certification request date to the most recent month-end. States should continue to follow the reporting cadence for EVV modules when scheduling reviews to ensure they can provide the necessary data. The cadence of reporting addresses the timing of report submission to CMS, which will remain quarterly for EVV modules, while the frequency refers to the capture of the metric data within the Operational Report Workbook, which will remain monthly. For all other modules, states should adhere to operational reporting guidance specified in this SHO.

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[10] https://cmsgov.github.io/CMCS-DSG-DSS-Certification/

[11] https://www.medicaid.gov/medicaid/data-and-systems/downloads/smc-certification-guidance.pdf

In closing, CMS strongly encourages state Medicaid and CHIP program officials to involve their Medicaid and CHIP CIOs, or, where applicable, their State CIOs, as stakeholders in all Medicaid and CHIP IT projects. State Medicaid and CHIP Program Executive Leadership and staff should engage with their IT counterparts to enhance oversight and eliminate challenges posed by silos. CMS expects the Medicaid and CHIP programs and IT officials to collaborate closely for mutual benefit.

If states have questions about this SHO letter or need technical assistance regarding APD submissions, MES reporting related to system operational expenditure Medicaid federal matching, or MES Certifications, please contact Edward L. Dolly, Deputy Director, Data and Systems Group, at Edward.Dolly@cms.hhs.gov.

Sincerely,

/s/

Caprice Knapp
Acting Deputy Administrator and Director

cc:

National Association of Medicaid Directors
National Academy for State Health Policy
National Governors Association
American Public Human Services Association
Association of State Territorial Health Officials
Council of State Governments