Sustaining DMI: A State Health Official's Guide to Enhanced Funding

DOCUMENT AT A GLANCE

Purpose: This document describes sustainable financing strategies that state health officials can use to continue data modernization initiatives that include a state's public health data system and Medicaid program.

Audience: This document is a guide for state health officials and their staff who are interested in designing and implementing sustainable financing strategies.

What is the relationship between a state's Medicaid program and its public health data system?

Although state implementation of the Medicaid program (Title XIX of the Social Security Act) varies, each state's program has enrollment and claims data on Medicaid participants, including demographic data on race and ethnicity, age, and service utilization, such as vaccines received. At the same time, a state's public health system needs to collect, analyze, and report diverse data from public health initiatives and related programs to support its goals to protect and improve the health of individuals and communities by promoting healthy lifestyles, researching and encouraging disease and injury prevention, and detecting, preventing, and responding to infectious diseases.[i, ii]

A state's Medicaid program and public health agency can collaborate to implement a sustained data modernization initiative (DMI) that combines Medicaid and public health data and integrates these data into the state's health-related data ecosystem. A sustained DMI can yield various improvements to a state's health-related data ecosystem, such as improved data quality, public health reporting, data storage and resiliency, and analytics to respond to pandemics. It can also set the stage for data sharing with additional data system partners, which can further improve the state's health-related data ecosystem.

Why is sustainable funding necessary to continue DMIs?

Sustainable funding to support personnel, processes, and technology is imperative to the continued success of a DMI. Stable funding can increase state Medicaid and public health agencies' likelihood of recruiting and retaining personnel with advanced degrees, such as biostatisticians and epidemiologists, by enabling the agencies to offer compensation packages that are competitive with job market rates.[iii] Stable funding also enables the agencies to maintain and refine new and existing data-sharing processes, and it ensures that technology is maintained and upgraded appropriately to meet evolving needs. Medicaid funding is a potentially large and stable funding stream that can support the personnel, processes, and technology in a DMI that focuses on integrating Medicaid and public health. However, public

health funding has historically been an unstable patchwork of federal, state, local, and private funding streams and mechanisms, largely because of changing economic and political priorities and the perceived risk level and severity of major public health threats.[iv]

What sustainable financing strategies can support the personnel, processes, and technology needed to continue DMIs?

State health officials can use the following three strategies when pursuing Medicaid funding to sustain a DMI:

1. **Blend and braid funding sources.** Optimize existing and potential funding streams by blending or braiding administrative approaches to grow and maintain programs. To blend funding sources, program officials combine funding into a single stream, which results in a loss of award-specific requirements and thus requires statutory authority. In contrast, braiding funds allows program officers to direct funds toward a single strategy or initiative while preserving funding requirements (Box 1).[v]

> **Box 1: Example of states blending and braiding Medicaid funding with other funding sources**
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> Through the Child and Caregiver Outcomes Using Linked Data project, Florida and Kentucky used Medicaid funding, the project's honorarium, and child welfare funding to combine Medicaid administrative data and child welfare system case-level data into a multistate deidentified data set.
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> Source: Office of Planning, Research, and Evaluation (OPRE) report "Linking Child Welfare and Medicaid Data."

2. **Support personnel by using cost allocation through the Advance Planning Document (APD) process or the Administrative Cost Allocation Plan.** A DMI team often has people with specialized skills, such as clinical and technical experts, compliance or legal officers, and financial experts. The salary for these people may be cost-allocated via the APD process or the Administrative Cost Allocation Plan described in Social Security Act Section 1903(a)(7) (Box 2). To illustrate, the Administrative Cost Allocation Plan provides 50 percent match for costs that meet a series of requirements to cover personnel costs. In addition to this strategy, state health officials can cover salary costs through blending and braiding approaches.

> **Box 2: The APD process and Administrative Cost Allocation Plan**
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> - The APD process is a procedure through which states develop a plan to design, implement, or operate their Medicaid Enterprise System projects (42 C.F.R. § 431, 435, 436, 447, 457, 600).
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> - An Administrative Cost Allocation Plan is documentation of the methods states use to allocate costs between multiple sources.
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> Source: Washington State Department of Children, Youth, and Families "Cost Allocation Plan."

3. **Align public health functions with Medicaid business and technical functions.** To explore whether a state Medicaid agency could access enhanced federal funding to support public health, a state public health agency must approach the state's Medicaid program collaboratively and design and implement a DMI that does the following:

- Meets the Conditions for Enhanced Funding[1] and couples any technical system improvements with measurable outcomes that improve public health and the Medicaid program

> **Box 3: Federal cost principles for enhanced Medicaid funding for IT systems**
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> The enhanced federal funding available to state Medicaid agencies for Medicaid Enterprise Systems modules must be calculated so that:
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> 1. Allowable costs are allocated to a specific entity or user (OMB Circular A-87)
> 2. Allocated costs for each entity or user are assigned in accordance with the benefits received (known as the "fair share principle")
> 3. Costs attributable to the state are paid for using specific sources of funds

- Investigates the extent to which the public health technical functions (for example, health care provider enrollment) align with similar Medicaid business functions
- Confirms the extent to which the public health functions and Medicaid Enterprise Systems share or could share (that is, reuse) core technical components to support common business functions

After this investigation is complete, the state Medicaid agency should explore cost allocation models that apportion costs with the benefits received (Box 3). Box 4 provides examples of public health use cases that successfully acquired enhanced Medicaid funding.

> **Box 4: Examples of how states can align public health functions with Medicaid business and technical functions**
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> - A state's public health agency could collaborate with its Medicaid program to leverage Medicaid funding through the Conditions for Enhanced Funding. The public health agency could start by ensuring that the state's Immunization Information Systems (IIS) adhere to the Centers for Disease Control and Prevention's IIS Functional Standards. It could then work with the Medicaid program to clearly map the standards to the Conditions for Enhanced Funding. For example, the IIS Functional Standards call for the IIS to offer help desk support to users who submit or access IIS data or functions, while the Conditions for Enhanced Funding require states to share, leverage, and reuse Medicaid technologies and systems within and among states. If the public health agency and Medicaid program can demonstrate through the APD process how the state's IIS is directly connected to Medicaid and can advance both the state's Medicaid program and public health infrastructure, it can potentially secure Medicaid funding to sustain its DMI.
> - A state's public health agency could collaborate with its Medicaid program to leverage Medicaid funding by supporting the Medicaid program in modernizing a Medicaid Enterprise Systems module or data warehouse so that it is an enterprise-wide resource that includes both Medicaid and public health data. For example, Wisconsin implemented a $72.2 million project, using general purpose revenue and 90 percent federal matching funds, to integrate public health program data into its Medicaid Data Warehouse (State of Wisconsin 2017, 2018, 2021).

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[1] The Conditions for Enhanced Funding are federal requirements that enable the state Medicaid program to receive enhanced funding for Medicaid Enterprise Systems (42 C.F.R. § 433.112) (CMS 2022).

Sources: CMS "Conditions for Enhanced Funding" and State of Wisconsin documents "Medicaid Management Information System (MMIS) and Fiscal Agent Services Procurement, Request for Proposal (RFP), S-0419 DMS-17," "Enterprise Data Warehouse (EDW) & Data Analytics and Reporting (DAR) Module Services, Request for Proposal (RFP), S-0633 DMS-19," and "Report to the Legislature on Data Processing Projects – 2020 P-00988-2020."

[i] CDC Foundation. "What is Public Health?" 2024. https://www.cdcfoundation.org/what-public-health#.

[ii] Netsmart. "Transform Public Health with Connections and Collaboration." 2024. https://www.ntst.com/solutions/by-public-sector/public-health.

[iii] Yeager, V.A., and J.P. Leider. "The Role of Salary in Recruiting Employees in State and Local Governmental Public Health: PH WINS 2017." American Journal of Public Health, vol. 109, no. 5, May 2019, pp. 683–685. https://ajph.aphapublications.org/doi/full/10.2105/AJPH.2019.305008.

[iv] Committee on Public Health Strategies to Improve Health, Institute of Medicine. For the Public's Health: Investing in a Healthier Future. April 10, 2012. https://www.ncbi.nlm.nih.gov/books/NBK201015/.

[v] AGA. "Blended and Braided Funding: A Guide for Policy Makers and Practitioners." Intergovernmental Partnership Collaborative Series, December 2014. https://icma.org/sites/default/files/307055_Blended-and-Braided-Funding_final.pdf.