

Health Care in the Spotlight

State governments are spending heavily on long-deferred overhauls of their Medicaid Management Information Systems (MMIS). Industry experts say they haven't seen so many procurements in years. Between \$1.3 billion and \$1.6 billion worth of MMIS contracts will be up for grabs in the next 18 months, according to government market researcher Input.

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To save money and staff, most states outsource MMIS development and fiscal-agent services. Thirty-eight states already outsource and nine more are expected to make the switch. The outsourced MMIS market is poised to grow 20 percent to more than \$6 billion during the next three years, Input predicts.

While large solution providers dominate the MMIS market—the leaders being EDS with 18 states; ACS with 13; and Unisys, five—midsize solution providers are finding states more open to new prime contractors. Last October, Client Network

Services Inc. (CNSI) of Rockville, Md., wrested a \$180 million, three-year contract to modernize and maintain Washington State's MMIS from incumbent ACS. Previously, CNSI built a smaller MMIS for Maine. Company president B. Chatterjee says some states are looking for fresh approaches to their Medicaid challenges.

"We try to give solutions that haven't been offered before," he says. "Established players are offering established solutions. We have the ability to build a new system based on the latest technologies." In addition, prime contractors often turn to smaller firms for specialized clinical, customer-service and case-management components. Chrysler says ACS engages subcontractors with expertise integrating CRM, call-center and mainframe-to-Web software.

Subcontractors "have to bring some value that EDS doesn't offer, like expertise with storage-management or pharmacy POS systems," EDS' Hanley adds. Opportunities to do business directly with Medicaid agencies are increasing as more states adopt the Medicaid Information Technology Architecture (MITA), which emphasizes interoperability, industry standards and off-the-shelf software, and enables vendors to link their products directly to MMIS data warehouses. "States are looking for flexibility and open standards so they can add new programs and change guidelines more easily," says Holli Ploog, vice president and managing partner of Unisys Global Public Sector Marketing and Programs. "Unisys often goes into a bid with three or four partners, "including vendors of pharmacy-benefits-management systems, document-management integrators and workflow-design specialists.

For example, solution provider Gold Standard Multimedia of Tampa, Fla., is able to retrieve the medication histories of Medicaid patients and deliver them to doctors' PDAs via wireless WANs. Combined with Gold Standard's drug-interaction alert and electronic-prescribing software, the eMPowerRx system has helped Florida reduce dangerous and costly prescription

errors, minimize paperwork and prevent fraud, saving the state an estimated \$700 per doctor monthly.

Looking forward, electronic medical records (EMR) and health-information networks may take center stage in government health-care IT budgets when the MMIS rush ends in approximately three years. Last September, the federal Agency for Healthcare Research and Quality awarded \$139 million in contracts and grants to promote the use of EMRs through the development of public/private regional health-information networks for sharing clinical data among providers. President George Bush is seeking an additional \$125 million in FY 2006.