

HCFA LEGISLATIVE SUMMARY

October 30, 1980

MENTAL HEALTH SYSTEMS ACT, (PUBLIC LAW 96-398)

On October 7, 1980, President Carter signed into law (Public Law 96-398) the Mental Health Systems Act. Title IX of the Act requires most States to provide approved mechanized claims processing and information retrieval systems in order to receive full payment for administrative costs under Medicaid.

Following is a summary of the major components of the MMIS provision.



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Attachment

Medicaid Management Information System (Title IX of the
"Mental Health Systems Act," Public Law 96-398)

Title IX of the Act requires States to provide approved mechanized claims processing and information retrieval systems in order to receive payment for administrative costs under Medicaid.

1. Requirements for Approval By HHS Secretary--In order to receive approval by the Secretary of Health and Human Services, a Medicaid Management Information System (MMIS) must meet the following requirements: (a) the system must be capable of developing provider, physician, and patient profiles sufficient to provide specific information on the use of covered types of services and items, including prescribed drugs; (b) the State has to provide information that is obtained from or developed by the system on possible fraud or abuse; and (c) the system must meet all performance standards and other requirements for initial approval developed by the Secretary.
2. Penalty for Failure to Meet Requirements--The requirements to have operational an approved mechanized claims processing and information retrieval system must be met by September 30, 1982, at the latest. Otherwise, not later than January 1983, the State's Federal funding will be reduced every two quarters by increments of 5 percent, up to a maximum of 25 percent.
3. Development By the Secretary of Standards, Requirements, and Other Conditions for Reapproval--The Secretary was required to develop an initial set of performance standards, systems requirements, and other conditions for reapproval for use in reapproving or disapproving State systems by October 1, 1980 (such standards had previously been developed). The Secretary also must further develop written procedures for conducting reviews for reapproval, including specific criteria for reassessing systems operations over a period of at least 6 months during each fiscal year to ensure that all such performance standards and other requirements are met on a continuous basis. The bill requires yearly reviews of all approved systems. If the Secretary disapproves a State's system, she may reduce the Federal matching by at least 5 percentage points and no more than 25 percentage points, but the percentage may not be reduced by more than 10 percentage points in any 4-quarter period. The Secretary may retroactively waive a percentage reduction if she determines that the State's system meets all current performance standards and other requirements for reapproval, and that such action would improve the administration of the State's Medicaid plan. Reapproval reviews conducted prior to October 1, 1981, are to be for the purpose of developing a system performance base and of assisting States in improving their systems. No reduction in Federal matching is to be made on the basis of these reviews.

4. Waivers--The provision provides for Secretarial waiver of the requirement to install the mandated MMIS and of the specified penalty assessments. The Secretary may issue waivers with respect to initial operation and approval of the system to any State that had a 1976 population of less than one million and made total expenditures (including Federal reimbursement) for Medicaid of less than \$100 million in that year. Such waiver may also be issued to a commonwealth, territory, or possession, if it reasonably demonstrates, (and the Secretary does not formally disagree) that the application of this proposal would not significantly improve the efficiency of the administration of its Medicaid plan.

5. Report to the Congress--The Secretary is to report to the Congress on or before October 1, 1981, on the extent to which States have developed and operated effective mechanized claims processing and information retrieval systems.