

# Sustaining DMI: Conditions for Enhanced Funding

## DOCUMENT AT A GLANCE

**Purpose:** This document describes the federal requirements that state Medicaid agencies must meet to receive enhanced federal funding for certain expenditures.

**Audience:** This document is a guide for state health officials and their staff who are interested in aligning public health data and systems with their state's Medicaid Enterprise System

## What are the Conditions for Enhanced Funding? Why are they important?

The Conditions for Enhanced Funding (CEF) are a series of federal requirements that states must meet to receive federal financial participation. If a state Medicaid agency (SMA) meets the CEF and couples them with measurable outcomes and metrics that improve the Medicaid program, it can receive enhanced funding at the rate of 90% to design, develop, or implement a Medicaid Enterprise Systems (MES) module or at 75% to operate and maintain an MES module<sup>1</sup> ([42 C.F.R. § 433.112](#); [42 CFR 433.116](#)).<sup>i</sup>

Each state operates an MES to manage its Medicaid data and run its program. Increasingly, SMAs' MES are composed of independent modules in categories such as eligibility and enrollment and financial management.ii, iii An SMA that uses these funds can build a strong financial foundation for a data modernization initiative and can secure reliable funding to better sustain the initiative.

## How can states receive enhancing funding to design, develop, implement, or operate and maintain an MES module?

To receive enhanced federal funding, SMAs must collaborate with the federal government from the original implementation of their MES module and throughout its operations and maintenance.iv Frequently, SMAs begin the MES development journey through a request for planning funds. Planning activities include assessing impact, conducting a Medicaid Information Technology Architecture self-assessment, convening work groups to identify potential system enhancements, and exploring outcomes and metrics. These plans often are converted into requests for design, development, and implementation funding.

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<sup>1</sup> The enhanced federal funding available to SMAs for MES modules must be calculated so that (1) allowable costs are *allocated* to a specific entity or user ([OMB Circular A-87](#)), (2) the allocated costs for each entity or user are assigned in accordance with the benefits received (known as the "fair share principle"), and (3) costs attributable to the state are paid for using *specific sources of funds*. For data modernization initiative-related MES activities, SMAs should speak with their CMS state officers.

The 90% funding match for design, development, and implementation could cover the performance of system fixes, establishing connectivity and interfaces, developing business continuity plans, software leasing, configuring off-the-shelf software, and ongoing planning activities. To receive the 75% funding match for operation and maintenance of an MES module, the state must have its module certified by and continuously report operational metrics to the Centers for Medicare & Medicaid Services (CMS). After certification, the SMA can receive enhanced federal funding to support security updates, software leasing or licensing, portal and technology maintenance and operation, and training for personnel engaged in the operation of the MES.<sup>v</sup> Although these eligible activities are diverse, states should ultimately meet seven conditions for enhanced funding: (1) modularity, (2) Medicaid Information Technology Architecture, (3) industry standards, (4) technology reuse and sharing, (5) business processes, (6) reports, and (7) interoperability (Table 1).

**Table 1. Seven Conditions for Enhanced Funding**

Condition	Description	Criteria states must meet	Examples of how states can demonstrate meeting the criteria
Modularity	Discrete, scalable, reusable components of functional business processes that are part of the state system used to manage, monitor, and administer the Medicaid program <sup>i, vi</sup>	The implemented module or solution must follow the <a href="#">Streamlined Modular Certification process</a> <sup>vii</sup>	<ul style="list-style-type: none"> <li>• Meet CMS required outcomes</li> <li>• Provide metrics demonstrating that evidence outcomes are being met on an ongoing basis</li> <li>• Follow the system development life cycle methodology<sup>i, iv</sup></li> </ul>
MITA	Framework and an initiative to establish national guidelines for technologies, information, and processes; provides a standard approach to IT implementation for state MES <sup>*viii, ix</sup>	Use of MITA architecture framework, processes, and planning guidelines	<ul style="list-style-type: none"> <li>• Completion of MITA self-assessment</li> <li>• A plan following MITA recommendations and best practices that details the state’s transition to MITA architecture<sup>iv, ix</sup></li> </ul>
Industry standards	Requirements and recommendations adopted by the Secretary of Health and Human Services or established by legislation or policy that are designed to promote reuse, data exchange, and the reduction of administrative burden on patients, providers, and applicants <sup>iv</sup>	System will conform to CMS required standards	<ul style="list-style-type: none"> <li>• Development and ongoing testing plans demonstrating full compliance with all industry, regulatory, and legislated standards required by the Secretary of Health and Human Services and the Office of the National Coordinator for Health Information Technology</li> <li>• Documented evidence of updated systems and practices with CMS -communicated standard changes<sup>iv</sup></li> </ul>
Technology reuse and sharing	Promotion of Medicaid technologies and system sharing, leveraging, and reuse within and among states	CMS will expedite advanced planning document approvals for states participating in shared development components, solutions, and activities expressly	<ul style="list-style-type: none"> <li>• Identification of components or solutions having high applicability for reuse by other states with documentation of ways to eliminate duplication of systems or services</li> </ul>

Condition	Description	Criteria states must meet	Examples of how states can demonstrate meeting the criteria
		intended for successful reuse with and by other states	<ul style="list-style-type: none"> <li>• Documentation of other states' participation and review of reused or shared technology</li> <li>• Submission of reused, shared or leveraged solution or component development, testing, or artifacts to an identified common national cloud-based repository<sup>iv</sup></li> </ul>
Business processes	A system supporting effective and efficient tasks and activities required by the state Medicaid agency	System produces intended operation and business results with a high degree of reliability and accuracy	<ul style="list-style-type: none"> <li>• System increases automation of business or operational processes</li> <li>• Documentation of testing, evaluation, and feedback loops to provide feedback and assessment of accessibility, ease of use, and appropriateness of system performance<sup>iv</sup></li> </ul>
Reports	A document or set of timely, accurate, and relevant data generated by and from the MES and delivered in a format to satisfy a human reader	System electronically produces accurate data necessary for oversight, administration, evaluation, integrity, and transparency of system, solution, and organization business and operations	<ul style="list-style-type: none"> <li>• System produces transaction data, reports, and performance information to support program evaluation, continuous improvement in business operations, transparency, and accountability<sup>iv</sup></li> </ul>
Interoperability	The ability of two or more systems to exchange health information and use the information once it is received <sup>x</sup>	The system supports seamless coordination and integration with the Marketplace, the Federal Data Services Hub, and allows interoperability with Health Information Exchanges, public health agencies, human services programs, and community organizations providing outreach and enrollment assistance services as applicable <sup>i</sup>	<ul style="list-style-type: none"> <li>• Open interfaces are established and maintained with federal data services hub</li> <li>• System is compatible with claims processing and information retrieval systems used to administer Medicare</li> <li>• System supports data requirements of quality improvement organizations<sup>i, iv</sup></li> </ul>

\*MITA is informed by the Governance Board, a collection of interested parties assembled at the direction of CMS. The MITA Governance Board is actively updating MITA guidance to align with streamlined modular certification.

CMS = Centers for Medicare & Medicaid Services; MITA = Medicaid Information Technology Architecture.

## What best practices should states consider when seeking enhanced funding?

If an SMA meets the CEF and couples them with measurable outcomes that improve the Medicaid program, it can receive enhanced funding. Public health data modernization initiatives and their ongoing support may be eligible for enhanced federal funding through the Medicaid program. Best practices include:

1. **Start the [Streamlined Modular Certification](#) early.** Certification is a crucial piece of CEF and requires many interrelated activities. States should use the [intake form](#) to enter information about MES certification and CMS-required outcomes to develop documentation of their compliance with

regulations applicable to their Medicaid-based data modernization initiative, state-specific outcomes, and metrics. The intake form can be used to show that the project is achieving outcomes on a continuous basis.<sup>iii</sup>

2. **Become familiar with CEF best practices.** CMS highlights several best practices for successfully engaging with CEF. States should become familiar with this guidance to help them complete various required forms and documentation, understand connected activities, create realistic timelines, prevent duplication of work, identify efficiencies, and more.<sup>xi</sup>
3. **Identify outcomes that are feasible to achieve and measure and improve the Medicaid and public health programs.** Some outcomes can take years to appear and intensive research and resources to measure. A state should identify outcomes that are feasible to achieve and measure based on its Medicaid-based data modernization initiative, available resources, staff capacity, and other factors. This includes setting measure targets that, when reached in the designated time, collectively provide proof that there is progress toward achieving Medicaid and public health outcomes.

<sup>i</sup> CMS. “Re: Updated Medicaid Information Technology Systems Guidance: Streamlined Modular Certification for Medicaid Enterprise Systems” SMD#22-001. April 2022.

[https://www.aapc.com/codes/webroot/upload/general\\_pages\\_docs/document/smd22001.pdf](https://www.aapc.com/codes/webroot/upload/general_pages_docs/document/smd22001.pdf).

<sup>ii</sup> CMS. “The Medicaid Management Information System Snapshot.” August 2016a. <https://www.cms.gov/Medicare-Medicaid-Coordination/Fraud-Prevention/Medicaid-Integrity-Education/Downloads/ebulletins-medicicaidmanage-infosystem.pdf>.

<sup>iii</sup> CMS. “Medicaid Enterprise Systems Newsletter.” n.d.(a). <https://www.medicaid.gov/medicaid/data-and-systems/mes-newsletter/index.html>. Accessed April 17, 2024.

<sup>iv</sup> Centers for Medicare & Medicaid Services (CMS). “Enhanced Funding Requirements: Seven Conditions and Standards.” Medicaid IT Supplement (MITS-11-01-v1.0). April 2011. <https://ccf.georgetown.edu/wp-content/uploads/2013/04/EFR-Seven-Conditions-and-Standards.pdf>.

<sup>v</sup> Manatt Health. “Enhanced Medicaid Funding Available to Support Unwinding-Related Eligibility and Enrollment Functionality.” September 8, 2016. <https://www.shvs.org/enhanced-medicicaid-funding-available-to-support-unwinding-related-eligibility-and-enrollment-functionality/>.

<sup>vi</sup> CMS. “Mechanized Claims Processing and Information Retrieval Systems—Modularity.” August 2016b. <https://www.medicaid.gov/sites/default/files/federal-policy-guidance/downloads/smd16010.pdf>.

<sup>vii</sup> CMS. “MES Certification Repository.” n.d.(b). <https://cmsgov.github.io/CMCS-DSG-DSS-Certification-Staging/>. Accessed April 17, 2024.

<sup>viii</sup> CMS. “MITA and Its Governance Board.” n.d.(c). <https://cmsgov.github.io/CMCS-DSG-DSS-Certification/MITA/>. Accessed April 17, 2024.

<sup>ix</sup> CMS. “MITA Information Series.” n.d.(d). <https://www.cms.gov/research-statistics-data-and-systems/computer-data-and-systems/medicaidinfotecharch/downloads/mitaoverview.pdf>.

<sup>x</sup> ONC. “The Path to Interoperability.” 2013. [https://www.healthit.gov/sites/default/files/factsheets/onc\\_interoperabilityfactsheet.pdf](https://www.healthit.gov/sites/default/files/factsheets/onc_interoperabilityfactsheet.pdf)

<sup>xi</sup> CMS. “Conditions for Enhanced Funding (CEF) Tips & Best Practices.” n.d.(e). <https://cmsgov.github.io/CMCS-DSG-DSS-Certification-Staging/Conditions%20for%20Enhanced%20Funding/CEF%20Tips/>. Accessed April 17, 2024.

*This work was supported by Cooperative Agreement Number NU38OT000290-05-01 funded by the Centers for Disease Control and Prevention of the U.S. Department of Health and Human Services (HHS). Its contents are solely the responsibility of the authors and do not necessarily represent the official views of CDC, HHS, or the U.S. Government.*