



PRESS RELEASE

Attorney General Frosh Recovers \$81 Million in Settlement of MDH IT Contract Litigation

BALTIMORE, MD (February 9, 2018) – Maryland Attorney General Brian E. Frosh announced today that the State has reached a settlement with Computer Sciences Corporation (CSC), a State contractor to the Maryland Department of Health (MDH), to resolve litigation between CSC and the State. CSC will pay the State \$81 million.

“This settlement compensates the State for the damages it suffered from the failure of CSC to live up to its obligations under its contract with MDH,” Attorney General Frosh said.

The settlement resolves disputes stemming from a major IT contract entered into between MDH and CSC. The contract, called the Medicaid Enterprise Restructuring Project (MERP), required CSC to develop and implement a new computer system for the State Medical Assistance Program, or Medicaid. Once the new system was established, CSC would also help operate the system. The computer system is responsible for administration of the State Medicaid program, including the processing of approximately \$10 billion paid out to Medicaid providers each year. MERP was to replace the existing computer system that was built in the 1992 and which MDH continues to use today.

MDH awarded the MERP contract to CSC in 2012 and within a year the project was far behind schedule and CSC refused to perform contractually required work necessary to meet the requirements of the Affordable Care Act, according to legal documents filed by the State. Additionally, the MERP contract was for a fixed price of \$170 million, but CSC refused to perform the required work without millions of dollars in additional State payments. In 2014, after it had paid CSC approximately \$27 million for partial work performed, MDH suspended the contract because of its many problems and ultimately terminated the contract in 2015.

The settlement announced today resolves claims by both parties.