THE JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON HEALTH AND HUMAN SERVICES
AND
THE JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON INFORMATION TECHNOLOGY
December 13, 2011
Room 643, Legislative Office Building

The Joint Legislative Oversight Committee on Health and Human Services met in conjunction with the Joint Legislative Oversight Committee on Information Technology on Tuesday, December 13, 2011. The meeting was held in Room 643 of the Legislative Office Building.

Members of the Legislative Oversight Committee on Health and Human Services in attendance were: Senator Louis Pate, Representative Nelson Dollar, and Representative Justin Burr, Co-Chairs; Senators Austin Allran, Stan Bingham, Harris Blake, Jim Davis, Fletcher Hartsell, Martin Nesbitt, William Purcell, Tommy Tucker; and Representatives Martha Alexander, William Brisson, William Current, Mark Hollo, Pat Hurley, Bert Jones, Marian McLawhorn, Tom Murry, and Fred Steen. Representative Verla Insko was also present.

Members of the Committee in Information Technology in attendance were: Co-Chair Representative Marilyn Avila, Co-Chairmen Senator Andrew Brock, Vice Chairman Representative Jonathan Jordan. Also attending were Representatives Bill Cook, Phillip Shepard and Joe Tolson and Senators Ralph Hise, Dan Soucek and Stan White.

Karlynn O'Shaughnessy, Shawn Parker, Theresa Matula, Amy Jo Johnson, Jan Paul, Patsy Pierce, Susan Barham, Lisa Hollowell, Denise Thomas, Donnie Charleston, Joyce Jones, Pat Porter, Rennie Hobby, Candace Slate, Susan Lewis and Dina Long provided staff support to the Committee. A Visitor Registration Sheet is attached and made a part of the minutes (See Attachment 1). Susan Lewis provided the minutes for the morning session and Rennie Hobby provided the minutes for the afternoon session.

At 10:00 am the meeting was called to order by Co-Chairman, Representative Nelson Dollar.

Sergeants-At-Arms were introduced. Assisting the meeting were: Fred Hines, John Brandon, Young Bay, John Fitchette, Derrick Anders, Billy Fritscher

Chairman Dollar welcomed the Joint Oversight Committee on IT and its Chairmen Senator Andrew Brock and Representative Marilyn Avila.

Chairman Dollar recognized Senator Nesbitt who asked if the issue of Medicaid cuts and reimbursements would be addressed in the meeting.

Chairman Dollar answered that those issues would not be discussed and explained that at this time in the budget year it was not practical to discuss or recommend any rate reductions or optimal services reductions. Senator Nesbitt agreed with this analysis.

Senator Tucker was recognized. He asked how long the gap in the funding of HHS had been known and asked for a brief explanation for how long it had been in the budget process. How did we end up here? Chairman Dollar explained that $127 million were off-budget items that suddenly became on-budget items a few months before. When factoring that in they are pretty close to being on target. Fundamentally the department has a cash flow problem. The department is committed to working on cost cutting to narrow the funding gap and find additional savings. The committee stands ready to assist.

Chairman Dollar introduced the first presentation.

Karlynn O'Shaughnessy, Fiscal Research Division, NC General Assembly, presented an overview of information technology within the Dept. of HHS; expenditure, on going projects and background MMIS. She discussed projects in general and how responsibilities for projects are divided between agencies.
A copy of this presentation is attached. (See Attachment No. 2)
Questions and discussion
-Senator Purcell asked how many people are working on MMIS. Angeline Sligh, Department of Human Services answered what parts of MMIS were already functioning and that there were 87 staff on the state side and the vendor has several hundred working to implement the program totally over 500 people.
-Sen. Bingham asked about the engagement of private council. Ms. O'Shaughnessy answered that this was necessary to deal with the contracts. There was legislation that required that MMIS bring outside legal counsel.
- Chairman Dollar recognized State Auditor Beth Woods who was in the audience.
-Rep Avila was recognized and asked for a visual diagram of the components/modules that MMIS is suppose to undertake. Ms. Sligh said she would and that part of that was in her upcoming presentation.
-Sen. Blake asked the staff if they were comfortable having the program up and running by 2013. Ms. O'Shaughnessy is concerned that there is a little slippage in the new schedule and that it will be dependent on changes in legislation and federal mandates. She is not confident that it will meet the target March 2013.
-Sen Blake followed up. He said that this has been an issue for 8 years and was a major problem. He is discouraged that the program has not been implemented.
-Sen Tucker asked Ms. O'Shaughnessy about the settlement paid to ACS. The state paid $5.6 million for work done and $10.5 million in a settlement. There was a performance bond in the contract but was not implemented since the state canceled the contract. Sen Tucker expressed his dismay for how this was managed and the waste of money that would never be allowed in the private sector.
-Rep Tolson asked if the state got any usable product from the ACS from the contract. Ms. Sligh said that the state got Smart PA as part of the settlement of the contract which is operational and has saved the state in excess of $100 million.

-Rep. Alexander was recognized to ask if there were ways to monitor the projects beyond contracts. Ms. O'Shaughnessy explained the systemic level of the Office of The State CIO monitors all programs from a database that is updated monthly to hopefully catch problems and track money.

-Rep Jordan was recognized to refer to an article about the situation. ACS argued at the time that it was the fault of the state's cumbersome bureaucracy that caused them to not make their deadlines. He asked for comments from staff. Ms. O'Shaughnessy said that there was a contributing factor on the time it took to get reviews and approvals within the department.

-Secretary Cansler was recognized to make a comment. He explained that the state was often not prepared to provide subject matter expertise due to under staffing. And that ACS did complain about not having the state support they needed. He is making sure that is not a problem in the future.

Building a system like MMIS is not like building a payroll system. The requirements of this program are constantly changing. There is no way to anticipate the legislative changes that will impact the system. It is a complex system that deals with 8 million claims a month, over 70,000 providers and constant rule changes that have to be reprogrammed.

He does not know how you set and achieve a timeline when the rules are constantly changing. It is critical to have the system in place by the time Jan 2014 when health care reform kicks in. They have to keep the old program operational while making a new one.

-Sen Hartsell asked that the committees be provided with the component factors in the $200 million overage. Ms. O'Shaughnessy indicated that the next presentation will show that.

-Sen Hise asked how the deadline of March 2013 applies to the state requirements under the Affordable Care Act and the building of the exchange on the deadlines to get federal funding in order to operate. What are the real risks to not meeting these deadlines? Sec. Cansler said the NCFAST enrollment project is running on time and that they have approval to spend federal grant dollars.

- Chairman Dollar asked if there was a Plan B that is being worked in if the MMIS system has delays when the additional Medicaid patients come online? Sec. Cansler explained that the old MMIS system is being updated with changes and can process the claims but not give all the data the new system can. The new system was required by the federal government which pays 90% of the building of the system. This is a state-federal partnership.

-Chairmen Burr says that it is concerning that this is becoming a money pit. Have there been cost over runs with CSC since they have had the contract? Sec. Cansler said that costs have increased but that is due to the scoop of the project changing and new requirements.

-Chairmen Burr asked Sec. Cansler if he was confident his team could meet the deadline. Sec. Cansler indicated that he had a good team and doing a good job. He said this is not a simply task. And over the life of the contract will save us tens of millions of dollars even with the increase in scoop of price.

-Chairmen Avila asked if there was any beefing up of the oversight as the project got more complicated? Is there going to be changes in the oversight? Sec Cansler said that yes there would be.

-Chairman Dollar asked that all other questions be saved for the next presentations unless it was directed to Ms. O'Shaughnessy.

- Chairman Davis asked if there was any state that has been able to navigate this morass successfully. Ms. O'Shaughnessy said that other states have had issues and it varies from state to

state. Each state is different. She will provide a list of what other states are doing. Rep Dollar said he thought that would be helpful.

-Chairmen Avila asked why, if it is a federal program, there are such differences from state to state? Sec. Cansler said that every state Medicaid program is different. While the federal government funds it they do not develop the program.

Chairmen Dollar introduced the next presentation from Angeline Sligh, Department of Health and Human Services and Jerry Fralick, Office of the State Chief Information Officer.

These presentations are attached. (See Attachments No. 3 and No. 4)

Ms. Sligh gave an overview of MMIS program and an updated deadline schedule, a financial update and project risks.

Mr .Fralick presented a follow-up to Ms. O'Shaughnessy's earlier presentation on the role of his office.

Questions and Discussion

-Chairmen Dollar asked Mr. Fralick to give his level of confidence, with the contract as amended and new implementation schedule, that the department will be successful in meeting that amended deadline. Mr. Fralick said that with no other scoop or changes, he feels they are in pretty good shape to come in on the date they have projected. He is concerned about making the critical hard and soft freeze deadlines. He said that they might miss it by a few months.

-Chairmen Dollar asked if Mr. Fralick had analysis on funds that will be saved once the program is implemented. Mr. Fralick does not have information on savings.

-Chairmen Dollar referred to the State of NY and problems with their implementation and reusable code; are we learning from the NY situation or are we running into the same ditch? Mr. Fralick thinks that NY had vendor issues.

He plans to call the CIO in NY and make sure this does not happen here. Chairman Dollar asked that he give a memo back to the committee on his investigation of the NY mistakes. Mr Fralick said he would do that.

-Sen. Hartsell asked if we have a state law, like the federal law, that requires "best practices" be followed in the contract. Mr. Fralick said there was some terminology on best practices that are not enforceable.

-Sen. Hartsell is there a similar provision that IT projects be centrally monitored? Mr. Fralick indicated that they are monitored through his Enterprise Project Management Office.

-Sen Hartsell asked if there "user oriented steering body"? The board and commissions that were doing IT oversight was done away with.

-Sen Hartsell asked if there was a back-up strategy to unanticipated problems. There is a governance agency that deals with this when a problem comes up. This is updated on a monthly basis.

-Sen. Hartsell asked how risks are mitigated, tracked and controlled. The management tool does all the tracking and highlights when there is a problem.

-Sen. Hartsell suggested that his other questions be submitted in writing for response. Chairmen Dollar asked that all questions any committee member has be emailed to Ms. O'Shaughnessy.

-Chairmen Burr asked Mr. Fralick, given the overruns and money spent, what was his opinion was of the management team. Mr. Fralick thought that they needed more help.

-Chairmen Burr asked how many were working on the project. Ms. Sligh said there were over 500 people and some of the state staff is working on other projects too.

-Chairmen Burr asked if Ms. Sligh had been overseeing the MMIS program from the beginning. She was appointed by former Sec Hooker-Odom appointed Sligh as the director. There are three project managers over different teams.

-Chairmen Burr expressed his amazement over 500 people working on the project and they are years behind with hundreds of thousands of over-runs and they still have jobs and are moving forward.

Chairmen Brock made a statement about all the over-arching questions and concerns on the MMIS program. He asked how Ms. Sligh would rate her leadership of the program. She thought she had done a good job.

-Sen Brock asked what grade, A-F, Ms. Sligh would give herself. Ms. Sligh gave herself an A.

-Chairman Avila asked Mr. Fralick when he joined the state. He came on board Oct. 2009.

-Chairman Avila asked what point in the project was that? Mr. Fralick said the suspension letter was 2009 and they had restated the program but it was in flux at that time he started.

- Chairman Avila asked how qualified the assistant who worked with him was on Medicaid programming. He said all project managers were certified.

-Rep Avila noted that Mr. Fralick, despite having concerns in December 2010 but just started going to the steering meetings in July 2011 and until then was getting second hand knowledge. Mr. Fralick said that his deputy attended the meeting and reported to him daily.

-Rep. Avila asked what role the legislature had? Who was reporting to the legislature? And explaining how serious the situation was? What could they have done to mitigate the process? Mr. Fralick said that now there is a law that any project that was in red must go to the agency and to the General Assembly. There were no procedures in place prior to him coming on board to inform the legislature.

Chairman Avila asked how the final switch over will be done. Ms. Sligh said that there was a time of parallel running of systems to make sure everything was working correctly.

Chairman Avila asked if there was anyone who knew if they were doing it correctly. Ms. Sligh explained how they would monitor the system.

-Chairmen Dollar asked in relation to the testing phase in Medicaid there were 190 defects, what is the error rate in the contract once the system is operational? Ms. Sligh said that there were some defect thresholds and they will not go operational if they do not meet those thresholds which would be system one defects.

-Chairmen Dollar asked about misprocessing of claims in NY has cost a lot of money. Given that this could cost North Carolina money, what is the level of tolerance that is provided for in the contract? Ms. Sligh indicated that they were having an issue with policy changes being coded into the system. This will be a challenge in North Carolina as well.

The New Solution will have a rules based solution which will give them more fluidity.

-Chairmen Dollar said that the controller in NY the EMED system was having problems detecting deception and that had allowed hundreds of millions of dollars in payments. Has her group analyzed the problem to insure it is not incorporated in the system she is building? We are using a small amount of NY code and are communicating with NY.

-Chairmen Dollar urged Ms. Sligh to work with NY to address this flaw that cost the state money.

-Sen. Bingham asked Mr. Fralick for a copy of the steering committee.

-Sen Hise asked for clarification on the Legacy system payment not based on the contract rate but what the system allows. Ms. Sligh said that was not the case. They are paid in policy but cannot code some of the changes.

-Sen. Hise asked if in the summer the Affordable Care Act is not implemented will there be more cost? Ms. Sligh said that was not the case.

-Rep Hurley asked where the steering committee met and when. Mr. Fralick said they met the second Thursday every month on the Dix Campus at 4. He will provide a list of members.

- Chairman Burr asked what the average time of the team was in catching mistakes, days, months, years? Ms. Sligh explained the review cycle. On average it takes 2.1 cycles to review. So it is a 21 day period.

Chairmen Dollar adjourned the committee for lunch to begin again at 1:15pm.

After lunch, Chairman Dollar called the meeting back to order and asked for a motion to approve the minutes from the November 8, 2011 meeting of the Joint Legislative Oversight Committee on Health and Human Services. The motion was made by Representative Hollo and the minutes were approved.

Kay Meyer, Project Director for the N.C. Financial Accountability and Compliance Technology System (NC FACTS), Office of the State Controller addressed the data integration initiative. (See Attachment No. 5) Points of interest included:

- Data integration initiative is focused on bringing information into a central repository of common technology and format to allow NC FACTS to use advanced analytics and reporting to make business decisions at the state level.
- The first State integration initiative set forth by the General Assembly was Criminal Justice Law Enforcement Automated Data Services (CJLEADS) which was a project that pulled together a variety of criminal justice data sources into a single repository and allowed the user to see a complete comprehensive profile of an offender in one single application. It is now being used throughout the State by law enforcement and the courts.
- Between 7% and 17% of all government spending is spent on fraud, waste, and abuse in government and goes across all lines of government business.
- Following legislation to develop a comprehensive enterprise fraud detection process, preliminary meetings have been held to work with agencies to understand their business and possible areas to focus on fraud analysis. Some agencies are concerned that the efforts of NC FACTS may be duplicative and will put an undue burden on their agencies.
    - o Looking at an enterprise level approach to fraud analysis, NC FACTS recognizes that current efforts are agency specific and are based on limited information. Often information is gathered manually by investigative resources. Agencies are identifying some fraud but with limited resources they are not able to address them.
    - o The goal of the data integration is to provide a broader repository of robust information that would allow them to do more efficient and effective detection and analysis.
    - o Many current efforts are focused on identifying fraud after it occurs. While NC FACTS will look at historic payment information to find fraud that has already existed, it will also focus on ways to prevent future fraudulent payment from occurring.
- Agencies have indicated that statutory and regulatory issues inhibit their ability to share critical information with the State. Agencies have been asked to look at specific statutory and regulatory issues to share data and make recommendations to resolve those issues. A quarterly report submitted to the General Assembly in April may contain a request in addressing those obstacles.

- NC FACTS will continue to work with DHHS. A work group being established will identify gap areas where a focus of analysis can be put on items not currently being addressed as well as to identify data to be shared with NC FACTS.
- The goal is to not duplicate current fraud detection capabilities but to use the tools at hand to validate, enhance or expand current capabilities in DHHS and other agencies.

Chairman Avila asked if it would not free resources for agencies to go to NC FACTS. Ms. Myer responded in the event they were able to build enterprise capability and had access to the actual data it would be possible to work with the agencies and eliminate redundant activity.

Chairman Pate asked if HIPA regulations would be an issue when looking at fraud. Ms. Myer responded that HIPA would be an issue regarding medical information so NC FACTS would have to work with DHHS to determine the limitations, and how the data would have to be secured.

Robert Brinson, CIO, Department of Corrections and Chair of the Criminal Justice Information Network (CJIN) provided examples of CJIN work, an outline of data items, and an agenda from the last CJIN meeting. (See Attachments No. 6, 6a, and 6b) Additional points of interest included:
- The objective of CJIN is to look at data that flows between the different criminal justice agencies, to look for opportunities to strengthen data sharing to the advancement of criminal justice outside the normal operating activities of the agency, and to use data better.
- The 20 member CJIN Governing Board is comprised of District Attorneys, Judges, Chiefs of Police, and Sheriffs. The board determined that it was essential that data needed to be shared between the public safety community and Health and Human Services.

Senator Blake mentioned the tragic shooting of a Deputy Sheriff in Moore County by a suspect that had received psychiatric evaluation while in the military and asked if the military shared information. Mr. Brinson replied that he was not sure but that was an issue to be examined to see if the data exists and whether CJIN could have access to it. He also said he would see if the Sheriff's Department knew this information at the time of the shooting.

Senator Hise asked if there would be an application when the system was fully in line to investigate, analyze, and identify prescription drug abuse in the Medicaid system. Mr. Brinson responded that one of the strengths of CJLEADS is the analytic capability. So, the tool is there but the data stream is something that needs to be figured out. It has to be used in an appropriate way with consideration to the rights of an individual or patient and the public good.

Anthony Vellucci, Program Director for North Carolina Families Accessing Services through Technology (NC FAST), presented an overview of NC FAST, a program designed to deliver tools that will enhance how county departments of social services provide benefits and services across North Carolina (see Attachment No. 7). NC FAST supports nine economic benefits and services programs, and multiple stakeholders are involved, including 3 federal partners, North Carolina Legislature, various DHHS agencies and the 100 county departments of social services.

NC FAST is using a staged implementation strategy of four components to deliver services: Online Verification (OLV) – a consolidated view of several federal and state benefit reporting systems used to verify eligibility for services; Service Delivery Interface (SDI) – an interface between county developed and maintained case management systems that is being replaced by its NC FAST counterpart Case Management Interface and Synchronization (CMIS); the Electronic Pre-Assessment

Screening Service (ePASS) – an online self-service tool that allows citizens with access to the internet to screen for potential eligibility for services, and will eventually provide a way to submit applications directly into NC FAST; and Case Management – a comprehensive system to determine client eligibility and track benefits that will replace 19 legacy systems within DHHS. Case Management includes 12 key functional areas from screening and reception, intake, eligibility, to reporting, process support and system administration. NC FAST will be implemented in distinct projects, the first of which is anticipated to begin pilot operations in early 2012.

Mr. Vellucci also said NC FAST is well positioned to interoperate with the Health Benefit Exchange required by the Patient Protection and Affordable Care Act, to support a one-stop shop process for citizens to evaluate and acquire health insurance coverage that may include Medicaid. A software architecture model called the Enterprise Service Bus is being used because it provides a way for mutually interfacing software applications to interact and communicate. This capability also extends to the national standard for interfacing and sharing information with other states. By leveraging the architecture in place from NC FAST, the Health Benefit Exchange does not need to duplicate the eligibility engine and case management functions for determining eligibility for both Medicaid and subsidized insurance.

Chairman Dollar asked if a potential client for Social Services, without access to the internet, would have trouble trying to access services in the traditional way. Mr. Vellucci said clients would be able to receive services. Some counties will have kiosks in the lobby for pre-screening but regardless clients would be able see a case worker. From the self-service perspective, the system is designed at a reasonable reading level. Chairman Dollar also asked if the roll out for the initial pilot counties in February would include all the modules. Mr. Vellucci responded that the roll out would be for Food Nutrition Services and Global Case Management. He was also asked if there was a detailed work plan and schedule for the projects and tasks for everything that has to be done by February. Mr. Vellucci replied that there was a consolidated project plan across all the programs with all the tasks listed to complete not only to develop but to build. Chairman Dollar also asked if counties would be able to keep the old systems and interface with the new system as long as counties follow the standard set data process requirements. Mr. Vellucci said that due to the complexities of the system, the counties would utilize NC FAST first and at any point in time counties could transfer the data down to their county case management system to continue any local program they might have.

Representative Brisson asked how Foster Care played into the system. Mr. Vellucci responded that Foster Care would fall under Project 4, Child Services. He said NC FAST was trying to get Project 4 into the pipeline now rather than several years from now and said that they have put together several plans regarding Child Services including the hiring of a Project Manager to look at the Child Welfare Project. Representative Brisson also asked if the children would be followed to see that they were placed in the proper homes. Mr. Vellucci said the service module for Child Services was very comprehensive and does track outcome management to achieve the outcomes set up within the service plan for children from the very beginning to the end.

Chairman Avila asked if NC FAST did any type of fraud detection or monitoring. Mr. Vellucci responded that evidence was collected from many different source systems and it goes on the case as potential evidence to be used for eligibility determination. The case worker then indicates what verified evidence is then used to determine eligibility. The Eligibility engine has rules as to what can be used for determination. There are other sources of data that will be available when other projects within the scope of NC FAST are implemented, for example IRS data will be available when the

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Medicaid project is implemented. He said from a fraud detection analytics perspective, NC FAST does not take on this task but said that they were working with DMA and other entities for fraud detection.

Chairman Dollar asked about the 90% match that was only good if the system was operational by a certain date. Mr. Vellucci said that the 90/10 match is at access from September 2011 and is good through the end of 2015. After that, NC FAST will fall back to the standard cost allocation methodology that was used prior to the enhanced funding. Chairman Dollar said it has taken $73.6M and 10 years to put the system in place. Why has it taken so long? Mr. Vellucci responded that he had been the Program Director for the past 1 ½ to 2 years and prior to his arrival there had been pits and stops, and changes in direction at the State and Federal levels. He said going forward he was committed to implementing NC FAST in a reasonable timeline. There are detailed project plans across all the different projects with monitoring on a weekly basis and "Risk" sessions every other week to see if there is anything that would impact the schedule with adjustments being made accordingly.

Chloe Gossage, Fiscal Research, discussed the grant expenditures of the Health Benefit Exchange (HBE). (See Attachment No. 8) Key points regarding the description of HBE are that individuals can apply for coverage online and determine if they are eligible for Medicaid, and if not whether they are eligible for subsidies. Points of interest included:
- Relevant deadlines: January1, 2014 – the start date for policies purchased under the Exchange so systems must be in place in order for people to be able to start applying by October 2013.
- The Department of Insurance (DOI) expenditures include the hiring of 7 contractors for a total of $1.7M for 12 months.
- The bulk of the DHHS expenditures will be on IT, specifically on Curam Software contractors and the software itself. The cost for the 4 contractors will be nearly $1.9M and an additional $1M for the software.
- There will be ongoing maintenance and support costs for the software module.

Ben Popkin is a Healthcare attorney for the Department of Insurance serving as Project Director for the Level One Exchange Establishment Cooperative Agreement (Level One Grant). He provided a high level view of the type of work proposed to be done under the Level One Grant. Points made during his presentation included:
- Session Law 2011-391 directed DOI and DHHS to collaborate to prepare for compliance with the requirements of the Affordable Care Act (ACA) and it gave authorization to use grant funds available to hire, to complete work, and to conduct insurance related analysis and to report the information back to the General Assembly.
- The goal under the Level One Grant is to conduct analyses and do background development so that the General Assembly during the Short Session could, if it chooses to, create a State Operated Exchange.
- If the Legislature chooses to create an Exchange it must be fully operational before the open enrollment period in roughly 2 years. The Federal requirements are such that the Federal government will certify a state by January 2013 as either having achieved an Operational Exchange or having made adequate progress that the Federal government can certify the State as being eligible to create a State Operated Exchange. If the Federal government does not make that certification by January 2013, it will create and operate a Federally-facilitated Exchange in the State.

- DOI submitted a Level One application in June 2011 and was awarded on August 12, 2011, $12.4M in draw-down funds from the Federal government to be used for work including 3 types of initiatives - 2 IT and 1 that is primarily a series of projects that are market and background analysis that will result in recommendations that will be delivered to DOI and on to the Legislature for their consideration in the Short Session.
- DOI evaluated and selected proposals from vendors through a competitive bidding process after issuing a Request for Proposal (RFP). The selected vendors will begin their work and analyses after contracts have been executed, which can happen after the State Division of Purchases & Contracts has completed all appropriate reviews and approved the contracts for execution.
- DOI has been authorized to use $3.4M through a contract with DHHS who will hire State ITS supplemental staff persons who will work with Mr. Vellucci of NC FAST to develop an eligibility system for integration with the Health Benefit Exchange.
- The development of the "Non-Eligibility" IT functions, including a "Shop and Compare System," will be housed in DOI. The Department of Insurance will bring on 7 State ITS staff - one is an IT Project Director, 4 business analysts, and 2 technical analysts who will conduct an analysis of the State IT systems and develop a RFP for vendors to submit proposals to build non-eligibility related Exchange functions, including a Shop and Compare System, for the State.
- The intention is that all the background work would result in proposals that will be suitable for integration with the State systems and for application with the State population.

Senator Tucker asked what the cost to the State would be if the Supreme Court found the Affordable Care Act unconstitutional and would the systems being developed be useful to the State. Mr. Popkin responded that the funds were entirely Federal draw-down funds so there was no cost to the State. If the Affordable Care Act was repealed, the eligibility IT functions would likely not be of value, but the Shop and Compare mechanism could be used if the State chose to develop an online insurance market, which is the core of the Health Benefit Exchange.

Senator Allran expressed his concern over the annual cost of the contracts for the ITS supplemental staffing. Ms. Gossage responded that she understood that the contract was with the vendor and the vendor passes a portion of those fees on to the person actually doing the work. Mr. Popkin added that the figures shown were budgeted amounts. As an example, DOI was able to bring on their IT Project Manager at a lower hourly rate than what was originally budgeted. Though the Level 1 grant funds awarded were of a significant amount, it is hoped that not all of the funds would be needed to complete the proposed work and at completion of the project remaining funds would revert to the Federal government. Chairman Dollar asked for a report on the salaries and benefits being paid to those under contract. Senator Allran added that he would like to know if those making substantial salaries are being held accountable and why was the Legislature going along with the Affordable Care Act instead of fighting it. Chairman Dollar added that the Supreme Court should have a decision about the Affordable Care Act sometime in June or July. Chairman Pate said the State goes to a vendor to locate someone of a certain specialty to do the work and the vendor gets their payment out of the amount of money budgeted. When the contractor begins work there are no State benefits, so expenses are from their own pockets.

Chairman Brock asked the cost of the Shop and Compare project. Mr. Popkin said he thought it was slightly over $1M but would get the information.

Jeff Miller, Chief Executive Officer of the North Carolina Health Information Exchange (HIE), said that HIE was a nonprofit, independently incorporated organization and HIE is the State designated entity for health information exchange. (See Attachment No. 9)

- Responsibilities include: 1) To provide the overall strategy for North Carolina to the Federal government as it relates to the exchange of health information; and 2) to access certain funds that can be brought down to develop capabilities for health information exchange for the different constituents of North Carolina.
- The first year of the organization was spent working on the legal framework for operating in the State. In April 2011, HIE began to operationalize activities and are set to go live with the first connection of different members of the health care eco system during the first quarter of 2012.
- The HIE is an effort to bring together the immobile silos of health care as they exist in the health care economy and to have the ability to promote and exchange information among the members of the eco system which is an important step in addressing the issues of cost and quality as it relates to health care. The goal of HIE is to enable the use of information in the health care eco system, the exchange of information in the health care eco system, and the analysis of that information all towards a common set of objectives.
- HIE over the last year has developed the framework for the technology and policies, has worked on the financial structure, and as a nonprofit entity is receiving the initial capital from the Federal government in the form of Federal grants (less than 50%). HIE has received approximately $15M from Blue Cross Blue Shield NC in a restricted grant to help implement a strategic partnership between the NC Health Information Exchange, Blue Cross Blue Shield NC, and NC Program to Advance Technology for Health (NC PATH).
- In most cases, the practices of medicine are relatively small businesses which dominate the health care system. HIE can provide the tools to better understand how to manage these practices, tools they may not have access to or be able to buy individually.

Chairman Avila expressed concerns that the use of venture capital in this effort may result in the State's loss of control.

Chairman Dollar asked how HIE interacted with CCNC, He expressed interest in how the two programs complemented one another and avoided duplication. Mr. Miller said the relationship was multifaceted. CCNC will be a participant in the NC Health Information Exchange and thereby will be utilizing the services provided by HIE to further their mission. CCNC is also a partner in a challenge grant to develop a better medication management module, and they are working together to understand how HIE might leverage the network that CCNC has already developed to further the implementation of the NC Health Information Exchange.

Senator Allran expressed his concern over the possibility of disseminating incorrect information or interrupting it incorrectly and wondered if the technology would be helpful. Mr. Miller said that health information exchange has been in effect in the United States and around the world for the past 2 decades. A study by the Institute of Medicine said that there were over 200 deaths in the U.S. last year as a result of poor sharing of information in part. That could have been avoided if the right information had been shared by practitioners. A study in Tennessee showed how they had been able to impact the cost and efficiency of their Emergency Departments by improving productivity 15% - 20% by implementing health information exchange and by reducing the amount of work staff needed to do in researching the health condition of those coming into the Emergency Departments.

Representative Murry asked if there would be barriers to being able to obtain mental health data. Mr. Miller responded that there were Federal guidelines to be followed such as there would not be any psychiatric notes or information on substance abuse treatment as part of the health information exchange. He said they were reaching out to the mental health/behavioral community to get them connected and to participate. In order to implement the system, there must be an established relationship with the patient in order to access information. He said all health related issues need to be a part of the system in order to effectively address the quality and cost issues.

Chairman Dollar said that the portion of the agenda covering Smart Card would be held over to a later meeting.

Senator Purcell asked to have clarification regarding Senator Allran's statement that "we" are supposed to be fighting the Affordable Care Act. He asked who "we" is? Chairman Dollar responded that he believed that Senator Allran was referring to the bill that passed the House and Senate by a large margin requesting that the State of North Carolina enter into the lawsuit to overturn certain provisions of the Affordable Care Act.

Chairman Dollar then opened the meeting to public comments. Concerns addressed included: Appropriate services for the people with mental illness, encouragement to stop development speculation on the Dix Hospital property; keep the Dix Hospital open to treat those with mental illness; and a statement from 24 organizational groups regarding their concern for the Medicaid shortfall of $139M, (See Attachment No. 10).

There being no further business, the meeting adjourned at 3:40 PM.

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Senator Louis Pate, Co-Chair, HHS   Senator Andrew Brock, Co-Chair, IT

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Representative Nelson Dollar, Co-Chair   Representative Marilyn Alvia, Co-Chair

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Representative Justin Burr, Co-Chair   Susan Lewis, Committee Clerk

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Rennie Hobby, Committee Clerk