North Carolina Department of Health and Human Services

Pat McCrory
Governor

Aldona Z. Wos, M.D.
Ambassador (Ret.)
Secretary DHHS

Adam Sholar
Legislative Counsel
Director of Government Affairs

February 1, 2014

SENT VIA ELECTRONIC MAIL

The Honorable Andrew Brock, Co-Chair
Joint Legislative Oversight Committee on
Information Technology
Room 521, Legislative Building
Raleigh, NC 27603-5925

The Honorable Jason Saine, Co-Chair
Joint Legislative Oversight Committee on
Information Technology
Room 402, Legislative Office Building
Raleigh, NC 27603-5925

Dear Senator Brock and Representative Saine:

Section 12A.6.(b) of Session Law 2013-360 requires the Department of Health and Human Services to report on NC FAST's performance in providing eligibility determinations for Medicaid applicants on the federally facilitated Health Benefit Exchange, a required function of NC FAST directed by Section 2 of S.L. 2013 5. That report is attached.

Please contact Joe Cooper, the Department's Chief Information Officer, at Joe.Cooper@dhhs.nc.gov with any questions.

Sincerely,

Adam Sholar

Cc:
Susan Jacobs
Theresa Matula
Joyce Jones
Brandon Greife
Kristi Huff
Sarah Riser
Wayne Black
Pat Porter
Karlynn O'Shaughnessy
Larry Yates
Joe Cooper
Anthony Vellucci
Sherry Bradsher
Rod Davis

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SENT VIA ELECTRONIC MAIL

The Honorable Ralph Hise, Co-Chair
Joint Legislative Oversight Committee on
Health and Human Services
Room 1026, Legislative Building
Raleigh, NC 27603

The Honorable Justin Burr, Co-Chair
Joint Legislative Oversight Committee on
Health and Human Services
Room 307A, Legislative Office Building
Raleigh, NC 27603-5925

The Honorable Mark Hollo, Co-Chair
Joint Legislative Oversight Committee on
Health and Human Services
Room 639, Legislative Office Building
Raleigh, NC 27603-5925

Dear Senator Hise and Representatives Burr and Hollo:

Section 12A.6.(b) of Session Law 2013-360 requires the Department of Health and Human Services to report on NC FAST's performance in providing eligibility determinations for Medicaid applicants on the federally facilitated Health Benefit Exchange, a required function of NC FAST directed by Section 2 of S.L. 2013 5. That report is attached.

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SENT VIA ELECTRONIC MAIL

The Honorable Philip Berger, Co-Chair
Joint Legislative Commission on
Governmental Operations
North Carolina General Assembly
2008 Legislative Building
Raleigh, NC 27601

The Honorable Thom Tillis, Co-Chair
Joint Legislative Commission on
Governmental Operations
North Carolina General Assembly
2304 Legislative Building
Raleigh, NC 27601

Dear Speaker Tillis and President Pro Tempore Berger,

Section 12A.6.(b) of Session Law 2013-360 requires the Department of Health and Human Services to report on NC FAST's performance in providing eligibility determinations for Medicaid applicants on the federally facilitated Health Benefit Exchange, a required function of NC FAST directed by Section 2 of S.L. 2013 5. That report is attached.

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NC DHHS Legislature Update on NC FAST Interoperability with the Federally-Facilitated Marketplace (FFM) – January 31, 2014

SECTION 12A.6.(b) *The Department of Health and Human Services shall report on NC FAST's performance in providing eligibility determinations for Medicaid applicants on the federally facilitated Health Benefit Exchange, a required function of NC FAST directed by Section 2 of S.L. 2013-5. The report shall contain a description of the following:*

(1) Funding sources, funding amounts, and expenditures for the project beginning in fiscal year 2012-2013 through the time of the report.
(2) Any challenges with the eligibility determination project and how NC FAST solved those challenges.
(3) The number of eligibility determinations performed for applicants on the federally facilitated Health Benefit Exchange, including an analysis of on what days and for how many persons eligibility determinations were performed as well as how many applicants were determined to be eligible.

In order to comply with the Affordable Care Act (ACA) and the NC Legislature's direction for implementing the ACA in North Carolina through S.L. 2013-5, the NC FAST Program in March 2013 initiated the Federally-Facilitated Marketplace (FFM) Interoperability Project, also known as Project 7. The FFM uses the federal website: healthcare.gov.

Overall objectives for NC FAST Project 7 are as follows:

A) For individuals who apply through healthcare.gov:
To accept applications from the FFM for individuals residing in North Carolina who have been pre-screened as potentially eligible for Medicaid by the FFM, upon the FFM transferring the individual's account to the state, the state will apply the new ACA-compliant NC Medicaid rules to determine if those individuals are eligible to be placed under Medicaid coverage. For any of those applicants who are determined not to be eligible for Medicaid, their records are returned to the FFM so they can continue through the federal government's process to apply for insurance subsidies and/or shop for insurance.

B) For individuals who apply through NC county Department of Social Services (DSS) offices or through NC FAST online:

1) To implement the ACA changes to the Medicaid application process within the NC FAST integrated eligibility and case management system used in North Carolina.
2) To send individuals who apply through NC FAST for Medicaid under the new ACA compliant process but who do not qualify, to the FFM to allow them to apply for insurance subsidies and/or shop for insurance.

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(1) Funding sources, funding amounts, and expenditures for the project beginning in fiscal year 2012-2013 through the time of the report.

In January 2013, the NC Department of Insurance (DOI) was awarded an Establishment Level One federal grant to further plan and implement the NC Health Benefit Exchange (HBE). DOI then entered into a contract with NC DHHS to build the Exchange. Under the grant award, DHHS, through NC FAST, initiated steps to conform with the ACA requirements to implement a Federal Partnership Exchange necessary to support an October 1, 2013 open enrollment, with a long-term objective of transitioning to a State-Based Exchange.

Post award of the grant, the NC Legislature decided that North Carolina would pursue a Federally-Facilitated Exchange (FFE) instead of a Federal Partnership Exchange. Under this model, North Carolina remained as an "assessment" state, meaning that North Carolina would retain the right to make final Medicaid/CHIP eligibility decisions for North Carolinians. To comply with the NC General Assembly's directive in February 2013, DHHS proposed and received federal approval to add a new Project 7 to the overall NC FAST Program. As a result, Project 7 was initiated in March 2013 using the cost allocation for NC FAST, 88.75%/11.25% federal/state funding allocation for a project total of $49,341,912 ($44,751,971 federal/$4,769,941 state). Project 7 funding includes state, Accenture (NC FAST Software Integration Vendor) and Cúram (NC FAST COTS Software Vendor) resources collaborating to design, build, test and deploy the new ACA eligibility functions of the FFE.

Expenditures during State Fiscal Year 2012 – 2013:

Federal Level Two Grant:	$6,942,433
Federal 88.75% Funding for Project 7:	$4,049,627
State 11.25% Funding for Project 7:	$520,027
Total for FY13:	$11,512,087

Expenditures as of December 31, 2013 State Fiscal year 2013 – 2014:

Federal 88.75% Funding for Project 7:	$11,084,284
State 11.25% Funding for Project 7:	1,397,972
Total for FY14:	$12,482,256

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(2) Any challenges with the eligibility determination project and how NC FAST solved those challenges.

Project 7 faced challenges that caused additional work and rework for the NC FAST Project Team. Key challenges summarized are: 1) delayed and changing system requirements, scope, and schedule, and lack of response to business and technical questions posed to CMS, and 2) delayed or incomplete delivery of functionality in the COTS software used for NC FAST.

1) Delayed and changing system requirements, scope, and schedule, and lack of response to business and technical questions posed to CMS:

When Project 7 began in March 2013 with the current direction, the state relied on target dates provided by CMS for key components of the FFM to be ready for interaction with the state's NC FAST

System. The state also relied on business and technical requirements provided by CMS for implementing changes to the new Medicaid application process under the ACA and for direction on how the interfaces between the FFM and NC FAST should work. Since the initial planning in early 2013, CMS has repeatedly changed the core business and technical requirements for both the modifications to the Medicaid application process and the interaction between the FFM and NC FAST, along with the scope of functionality to be delivered by the federal government. A few examples of these changes are as follows: 1) the specifications for the account transfer were initially published by CMS in June 2013, and there have been three additional changes to those specifications since, with the last coming in November 2013; 2) changes to the new Medicaid eligibility design and rules around "gap filling" (dealing with the differences in how income is calculated by the FFM which relies on IRS data vs. the states' eligibility systems) were first received from CMS in late August; and 3) CMS originally communicated that TALX (employment verification) data would be available from the FFM through an interface on October 1, but later removed that functionality from their scope, leading North Carolina to scrap the design work on that interface and revert to county caseworkers having to follow a manual process or to use existing interfaces.

Along with the changing requirements, the schedule has been impacted over and over again due to federal timelines changing at the last minute. Probably the most significant impact this had for North Carolina is the fact that the interfaces between the FFM and NC FAST that were initially targeted to be turned on October 1, 2013 were not activated until December 27, 2013 and January 16, 2014.

One impact of the delay in the FFM and NC FAST interfaces is that applicants who are not eligible for Medicaid after applying in North Carolina until December 27, 2013 were not being automatically sent to the FFM to facilitate an assessment as to whether they may be eligible for an insurance subsidy. This delay in the account transfer process to the FFM meant that individuals in this scenario would have needed to apply from scratch from the FFM using healthcare.gov in order to determine if they qualify for an insurance subsidy or to shop for ACA-established insurance plans. This interface was finally approved by CMS to be started on December 27. North Carolina has transferred applications to the FFM since then.

However, the state understands that applications are not being electronically processed by the FFM. Instead, CMS is placing automated phone calls to those applicants to recommend that they reapply through healthcare.gov.

A second impact of the delay in the FFM and NC FAST interfaces is that applicants who were pre-screened as potentially eligible for Medicaid after applying at the FFM (since October 1) were not sent to NC FAST to facilitate an assessment as to whether or not they really are eligible for Medicaid under the new ACA eligibility rules. This missing account transfer process means that individuals in this scenario were not able to move forward in the FFM with further assessments including applying for an insurance subsidy or shopping for insurance. They are essentially "stuck" until the Medicaid eligibility under the new ACA rules can be determined in North Carolina, and there is nothing the state or counties can do to process these individuals unless they reapply from scratch through NC FAST. CMS did initiate testing this interface with North Carolina and several other states on January 8, and then began to transfer some of the pre-screened applications to NC FAST on January 16.

Another related impact to North Carolina was when CMS started between Christmas and New Year's Day the automated (robo) calls to North Carolinians who had applied through the FFM for service since October 1. North Carolina had to, within a two-day period, establish a 1-800 number for the federal

government to include in those automated calls. While North Carolina is a county-administered state for providing human service benefits, CMS would not agree to include the various counties contact information in the automated calls and insisted on a centralized number. DHHS established the 1-800 number, which then redirected the applicants to the individual counties or to use ePASS. Through this confusing set of calls and instructions, many duplicate applications were submitted by North Carolinians adding unnecessary workload to the county DSS offices and, in turn, generating additional delays in application processing for potential recipients.

The impact of changing business requirements and having unanswered questions regarding changes to the new ACA-compliant Medicaid application process delayed the NC FAST Project Team in getting the new application and eligibility determination process fully built in the NC FAST System. It also took a lot of rework from initial design, development and test planning to make these updates in NC FAST. Despite these challenges, the NC FAST Project Team was able to implement the upfront new application process by October 1. The eligibility determination process for those applications, however, was not completed until mid-December. This created additional work on the counties in December and January to catch up on processing the applications received since October 1.

The NC FAST Project Team dealt with these challenges by proactively offering to test the interface with CMS beyond the standard testing that was accepted by CMS, which is why North Carolina was 1 of 4 states that started testing their interface with the FFM on January 8 with production quality data vs. the standard test data. This was the first point when CMS was ready to test the interface with representative production quality data. The state welcomed this opportunity to start first and remains responsive to CMS. CMS also asked North Carolina to help the State of Arkansas with their interface work. North Carolina had several conference calls with both CMS and Arkansas regarding their interface. North Carolina also sent NC FAST code to Arkansas so they could reuse the work North Carolina had already done.

However, the late start to this interface has again placed an undue burden of Medicaid applications on North Carolina with over 33,000 applications being received for processing within the last two weeks. The state is working to triage these applications before passing them to the counties for complete processing. This is another instance of additional workload on the county DSS offices at an already busy time for them.

Another mechanism for dealing with these changes has been an increased workload on the NC FAST Project Team. The team worked 24/7 most weeks for many months, including over holidays to design, build and test the new functionality in order to implement it as quickly as possible. While the project has remained within the approved budget for the March to December 2013 timeframe, there is more work remaining for 2014 than planned because of all of the rework and the requirements pushed down from CMS to the states to implement locally.

An outstanding impact of the changes, delays and unanswered questions is that some of the new features to be added to the NC FAST System in support of the ACA have been delayed and will be implemented throughout 2014. The original objective was for a number of these features to be ready by January 1 or April 1. Key features included in that group are presumptive eligibility, recertification process under the new ACA-Medicaid application process, real-time eligibility determinations for clients online, and authorized representative functionality.

2) Delayed or incomplete delivery of functionality in the COTS software used for NC FAST:

In 2009, NC DHHS acquired IBM Cúram Software's Enterprise Framework™, a proven, pre-built human services case management system composed of configurable domain modules. The state is following a best practice in leveraging commercial-off-the-shelf (COTS) software for NC FAST. This approach is endorsed by both the state's Office of Information Technology Services (ITS) and the federal government agency partners. IBM Cúram Software is being used across nine different states that are either implementing state-based exchanges or interfacing with the FFM for Medicaid eligibility determination. As such, IBM Cúram has worked proactively and closely with the federal government to develop functionality within their software that is ACA-compliant.

Unfortunately, they experienced the same challenges as those outlined in Item 2) when dealing with federal requirement changes, descoping (moving functionality from the federal to the state level), schedule delays and unanswered questions. They also faced a larger challenge due to the fact that CMS did not allow Cúram to test directly with CMS. Cúram had to deliver software to the state that was untested.

The impact of this is that the core Cúram software still does not have all the functionality needed to comply with the changes to be implemented as a result of the ACA, and planned functionality needed by NC FAST was delayed. Examples of these changes are as follows: 1) the NC FAST Project Team had to customize about half of the approximately 550 data fields required for the account transfer interface that goes both ways between the FFM and NC FAST System; and 2) the NC FAST Project Team designed the intake process, data storage, and program rules for Family and Children Medicaid programs for transitional and retroactive benefits because this functionality has not yet been made available.

This extra work means that the NC FAST Project Team had to develop customizations to deliver needed functionality required to be ACA-compliant. Once IBM Cúram has the chance to incorporate all the functionality into the base product, the North Carolina customizations will need to be removed. This has contributed, and may continue to contribute, to budget increases, schedule delays and rework for Project 7.

The NC FAST Project Team has dealt with this challenge by working very closely with IBM Cúram as the software provider to minimize the impact on system delivery and county operations. The NC FAST Project Team leveraged the effective working relationship with IBM Cúram's Product Development Team to provide initial testing of new functionality, and North Carolina has shared development efforts and fixes implemented at the project level back with the IBM Product Development team. This collaboration has helped to minimize the level of impact.

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(3) The number of eligibility determinations performed for applicants on the federally facilitated Health Benefit Exchange, including an analysis of on what days and for how many persons eligibility determinations were performed as well as how many applicants were determined to be eligible.

Beginning in early October 2013, CMS began sending North Carolina a file containing basic application data including the applicant first and last name, address, telephone, and application date. That file was sent weekly to provide North Carolina an indication of the number of applications that will need to be processed under the new ACA-compliant Medicaid eligibility rules by North Carolina county workers

once the interface was enabled. However, the file did not provide any information with which to determine eligibility. Unfortunately, the applications continued to queue, building up a significant new workload for county DSS workers. The more important impact is that those individuals who had applied at the FFM were not and are still not allowed to explore their eligibility for other benefits (insurance subsidy, insurance purchase) until this eligibility check can be completed in North Carolina, as outlined in response to Item 2).

Upon request from CMS on January 4, North Carolina agreed to participate as 1 of 4 states to perform further testing of the account transfer process. Testing began on January 8 and continued through January 15. On January 16, 2014, the FFM began to send streamlined applications that were received as early as October 1, 2013 to North Carolina via the account transfer process. As of January 29, there were a total of 53,253 applications queued at the FFM. Of that total, 33,186 applications have been transferred to the NC FAST System for applying the new ACA Medicaid eligibility rules.

Review of the applications received by the NC FAST System from the FFM show a varying degree of data quality. Many changes have been made to the healthcare.gov website since October 1, 2013, and the changes create variance in what data is provided for different applications. Given the federal and state direction to the North Carolina county DSS's to focus on FNS pending applications and recertifications in January, the state is first triaging these FFM-provided applications before handing them over to the counties for complete processing. Steps that the state is taking in this triage include evaluating applications for duplicates and redirecting applications that should have been sent to other states based on the applicants' residency. Within the next week, these FFM applications will begin to be placed in county queues for complete processing and eligibility determination under the new ACA Medicaid rules. However, this release will be completed on a county by county basis as pending FNS applications and recertifications are cleared.