



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 28, 2014

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:

The State Auditor recommended, in her "NCTracks – Post Implementation Audit Report", that DHHS update the Replacement Medicaid Management Information System (MMIS) Full Implementation Progress Report that was mandated by Section 12A.4(g)(2) of Session Law 2013-360 in order to demonstrate its progress on the priority Change Service Requests (CSRs) that were listed on page 14 of the State Auditor's report and to submit the update by March 1, 2014. Please find the attached in response to that recommendation.

If you have any questions or need additional information regarding this report, please contact Ed Riley at (919) 647-8326.

Sincerely,

Adam Sholar

cc: Joseph Cooper, Jr.	Susan Jacobs	Brandon Greife
Jim Slate	Patricia Porter	Pam Kilpatrick
Reports@ncleg.net	Sarah Riser	Theresa Matula

www.ncdhhs.gov

Tel 919-855-4800 • Fax 919-715-4645

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Mailing Address: 2001 Mail Service Center • Raleigh, NC 27699-2001

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Angeline Sligh
Rod Davis
Sarah Porper

Kristi Huff
Larry Yates

Joyce Jones
Karlynn O'Shaughnessy



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SENT VIA ELECTRONIC MAIL

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

The Honorable Jason Saine, Co-Chair
Joint Legislative Oversight Committee on
Information Technology
NC House of Representatives
Room 402, Legislative Office Building
Raleigh, NC 27602-5925

Dear Senator Brock and Representative Saine:

The State Auditor recommended, in her "NCTracks – Post Implementation Audit Report", that DHHS update the Replacement Medicaid Management Information System (MMIS) Full Implementation Progress Report that was mandated by Section 12A.4.(g)(2) of Session Law 2013-360 in order to demonstrate its progress on the priority Change Service Requests (CSRs) that were listed on page 14 of the State Auditor's report and to submit the update by March 1, 2014. Please find the attached in response to that recommendation.

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February 28, 2014

SENT VIA ELECTRONIC MAIL

Mr. Art Pope
State Budget Director
Office of State Budget and Management
Room 5200, Administration Building
Raleigh, NC 27603-8005

Dear Director Pope:

The State Auditor recommended, in her "NCTracks – Post Implementation Audit Report", that DHHS update the Replacement Medicaid Management Information System (MMIS) Full Implementation Progress Report that was mandated by Section 12A.4.(g)(2) of Session Law 2013-360 in order to demonstrate its progress on the priority Change Service Requests (CSRs) that were listed on page 14 of the State Auditor's report and to submit the update by March 1, 2014. Please find the attached in response to that recommendation

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February 28, 2014

SENT VIA ELECTRONIC MAIL

Mr. Mark Trogon, Director
Fiscal Research Division
North Carolina General Assembly
Room 619, Legislative Office Building
Raleigh, NC 27603-5925

Dear Director Trogon:

The State Auditor recommended, in her "NCTracks – Post Implementation Audit Report", that DHHS update the Replacement Medicaid Management Information System (MMIS) Full Implementation Progress Report that was mandated by Section 12A.4.(g)(2) of Session Law 2013-360 in order to demonstrate its progress on the priority Change Service Requests (CSRs) that were listed on page 14 of the State Auditor's report and to submit the update by March 1, 2014. Please find the attached in response to that recommendation.

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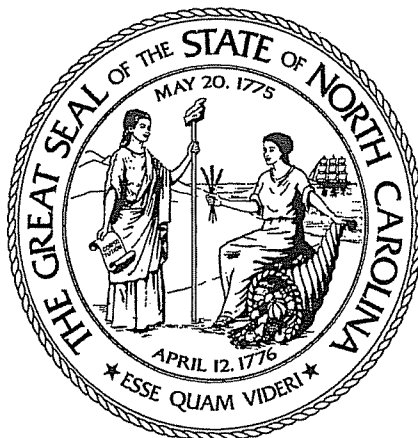
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**UPDATE TO SL 2013-360, SECTION 12A.4.(G)(2)
REPLACEMENT MEDICAID MANAGEMENT INFORMATION
SYSTEM (MMIS) FULL IMPLEMENTATION PROGRESS REPORT
TO THE JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON
HEALTH AND HUMAN SERVICES, THE JOINT LEGISLATIVE
OVERSIGHT COMMITTEE ON INFORMATION TECHNOLOGY, THE
FISCAL RESEARCH DIVISION, AND THE OFFICE OF STATE
BUDGET AND MANAGEMENT**



**STATE OF NORTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

March 1, 2014



DEPARTMENT OF HEALTH AND HUMAN SERVICES
UPDATE TO SL 2013-360, SECTION 12A.4.(g)(2) REPLACEMENT MEDICAID
MANAGEMENT INFORMATION SYSTEM (MMIS) FULL IMPLEMENTATION PROGRESS REPORT

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**DEPARTMENT OF HEALTH AND HUMAN SERVICES
UPDATE TO SL 2013-360, SECTION 12A.4.(G)(2) REPLACEMENT MEDICAID
MANAGEMENT INFORMATION SYSTEM (MMIS) FULL IMPLEMENTATION PROGRESS REPORT**

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UPDATE TO SL 2013-360, SECTION 12A.4.(G)(2) REPLACEMENT MEDICAID
MANAGEMENT INFORMATION SYSTEM (MMIS) FULL IMPLEMENTATION PROGRESS REPORT

INTRODUCTION

In July 2013, the NC General Assembly passed Session Law 2013-360, "The Appropriations Act of 2013", Section 12.4.(g)(2) of which required Department of Health and Human Services to provide the North Carolina General Assembly's Joint Legislative Oversight Committee on Health and Human Services, Joint Legislative Oversight Committee on Information Technology, Fiscal Research Division, and the Office of State Budget and Management with a progress report on the full implementation of the Replacement MMIS no later than November 1, 2013. The Department complied with that requirement, submitting a report which addressed the following:

- a) An updated estimate of the costs associated with operating and maintaining the system during the 2013-2014 and 2014-2015 fiscal years, with an explanation for any changes from previous submissions.
- b) The cost, if any, associated with the resolution of each issue encountered following the "go-live" date of July 1, 2013, and the source of funding for the associated cost.
- c) The cost, if any, associated with any system requirements for manual workarounds, the source of funding used to pay for the associated cost, the cost associated with the transitioning to each automated solution, and the source of funding for each identified cost.
- d) A comparison of timeliness and accuracy of payments for legacy system and replacement system transactions, using the same criteria for both.
- e) The cost, if any, associated with implementation of any required capabilities that are not available in the replacement MMIS on the "go-live" date of July 1, 2013.

Subsequently, the North Carolina State Auditor recommended that the Department update this report to reflect new progress since the original report was submitted. In accordance with that recommendation, the Department is submitting this update. Please note that the information provided in this report is current as of January 31, 2014.

A. ESTIMATE OF COSTS ASSOCIATED WITH OPERATING AND MAINTAINING THE SYSTEM

The following are the estimate of the costs associated with operating and maintaining the system during the 2013-2014 and 2014-2015 fiscal years:

As requested in Section 12.4.(g)(2)(a), the table below reflects only the estimated operating and maintenance costs for the replacement MMIS, NCTracks. The table



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excludes costs associated with the design, development and implementation (DDI) which will be paid in SFY 2014 and SFY 2015, and the nearly \$11 million retained from CSC's invoices to be paid once the replacement MMIS, NCTracks, is certified by CMS. The budget includes \$8 million per year in anticipated system changes/updates and an additional \$5 million for changes that are required during SFY 2014 due to the backlog of change requests caused by the system freeze prior to go-live. Vendor costs are reported by the anticipated allocation for each division.

The estimates below are the same estimates used after the CSC contract was signed, with the exception of the \$5 million of additional changes for the first year of operations. This additional budget requirement was known one year ago.

Replacement MMIS Operations and Maintenance		
	SFY 13-14	SFY 14-15
DHHS Support	\$ 2,974,700	\$ 1,089,256
Vendor Costs by Division		
DMA	\$ 31,799,118	\$ 33,223,325
DMH	\$ 1,139,707	\$ 1,229,950
DPH	\$ 464,568	\$ 506,134
Additional Changes - First Year	\$ 5,000,000	\$ -
Total	\$ 41,378,093	\$ 36,048,665

B. COSTS ASSOCIATED WITH RESOLUTION OF ISSUES ENCOUNTERED POST GO-LIVE

As previously reported in the MMIS Full Implementation Progress Report to the North Carolina General Assembly per SL 2013-360, Section 12A.4.(g)(1), the Office of Medicaid Management Information Systems Services (OMMISS) encountered a number of issues requiring resolution. The vast majority of the issues discovered to date have been defects which CSC has either resolved or will resolve at no additional cost to the State. The amount of \$400,000 has been set aside to address those issues that require changes to the contract. The \$400,000 is included in the \$8 million annual budget for changes.

In addition to the costs noted above, the State incurred internal costs in the form of time (13,100 hours) spent assisting providers with issues in multiple areas, including taxonomy changes, enrollment, prior approvals, claims denial resolution, electronic claims submission, and education and training. OMMISS and the Division of Medical Assistance (DMA) spent approximately 4,700 and 8,400 man-hours, respectively.



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**C. COSTS ASSOCIATED WITH MANUAL WORKAROUNDS AND
TRANSITIONING THESE TO AUTOMATED SOLUTIONS**

Since there was a "freeze" period just before the new systems' "go-live" (during which no requirements updates could be made), a total of 103 requirements necessitated manual workarounds, as previously reported in MMIS Full Implementation Progress Report to the North Carolina General Assembly under SL 2013-360, Section 12A.4.(g)(1).

Properly classifying paid claims has been the single largest workaround effort to date. To ensure that claims are being properly recorded in the North Carolina Accounting System (NCAS), claims are being manually reviewed and classified. Payments are then manually entered into NCAS.

Because CSC and the State are continuing to focus efforts and resources on prompt resolution of the defects/issues found after "go-live," of the 103 Change Service Requests (CSRs), 19 are in process, 1 has been deferred and 1 has been implemented. These CSRs are listed in the table below. Estimated completion dates are yet to be determined for the CSRs that have not been implemented yet.

CSR #	Title and Brief Description of Change	Planned Implementation Quarter	Basis of Estimate (BOE) Percent Complete	Cost
1366	CSR 1366 - Changes to MCO Encounter Processing (bundled with CSR 1406 -Encounter Clams)	April 30, 2014	100%	\$131,174.28
1356	CSR 1356 - Infant Toddler Program (ITP) Recipients Options for not Billing	April 30, 2014	100%	\$50,377.46
1357	CSR 1357 (EOE) - Addition of Codes and Changes to the Be	TBD	96%	Unknown at this time



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CSR #	Title and Brief Description of Change	Planned Implementation Quarter	Basis of Estimate (BOE) Percent Complete	Cost
	Smart Family Waiver Planning Program to SPA			
1088	CSR 1088/1091 (EOE) - Billing Lower Level of Care beds (bundled with CSR 1091 -DMA Rehab Pricing Rule Revision)	April 30, 2014	100%	Unknown at this time
1078/1148	CSR 1078 - Recipient Lock in. - Pharmacy program and edit changes from legacy HPES CSRs (Bundled with CSR 1148)	TBD	99%	Unknown at this time
1079	CSR 1079/1080 (BOE) - NC Medicaid Pharmacy legacy program and edit changes from HPES CSRs	April 30, 2014	100%	\$224,536.77
1134	CSR 1134 (EOE) - Changes to reimbursement of Home Health T1999 billing	April 30, 2014	100%	Unknown at this time
1355	CSR 1355 - Request to modify the PA entry functionality to allow the ability to enter a PA for a specific	Completed		\$35,877.80



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CSR #	Title and Brief Description of Change	Planned Implementation Quarter	Basis of Estimate (BOE) Percent Complete	Cost
	NDC-GCN-GSN			
1365	CSR 1365 - Re-Establish Provider Enrollment for Behavioral Health Providers	TBD	100%	Unknown at this time
1527	CSR 1527 - Office Administrator, User Provisioning and new administrative role access - Prepare and Analyze EOE/BOE	TBD	100%	Unknown at this time
1200	CSR 1200 (EOE) - Infant Toddler Program Payment and Fees federal requirement through POMC	TBD	89%	Unknown at this time
1364	CSR 1364 - Produce New DMH/DMA Global Provider Extract File for the LME/MCOs - BOE	April 30, 2014	100%	\$71,759.16
1210	CSR 1210 - Direct Enrollment of ALL Provider Types - BOE	TBD	97%	Unknown at this time
763	CSR 763 - Modifications Required to Support Cost-Sharing for Health Coverage for Workers With Disabilities - Prepare and Analyze EOE	TBD	79%	Unknown at this time
862	CSR 862 - Change Application Process Flow for Rendering/Attending Providers and New Edit for Manage Change Request CCNC/CA Provider Terminations - Prepare and Analyze EOE	TBD	100%	Unknown at this time
1077	CSR 1077 - RHC/FQHC Changes to Audit Summary (FO09.230/13422)	April 30, 2014	100%	\$57,518.56
1209	CSR 1209 - CAQH Core phase III EFT/ERA Operating Rules - Prepare and Analyze EOE/BOE	TBD	100%	Unknown at this time



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CSR #	Title and Brief Description of Change	Planned Implementation Quarter	Basis of Estimate (BOE) Percent Complete	Cost
1262	CSR 1262 (EOE) - Create "Claim Adjustment Request" Form & Web User Interface for CSC Operations - Prepare and Analyze EOE/BOE	TBD	59%	Unknown at this time
730/1035	Implement Pregnancy Home Model for the Pregnancy Home case management Per Member Per Month (PMPM) program	Deferred		\$6,497.16
1080	NC Medicaid Pharmacy Program Edit updates	April 30, 2014	100%	\$0 (bundled with CSR 1079)
1091	DMA Rehab Pricing Rule revision	April 30, 2014	100%	\$0 (bundled with CSR 1088)

D. COMPARISON OF TIMELINESS AND ACCURACY OF PAYMENTS FOR LEGACY AND REPLACEMENT SYSTEM TRANSACTIONS

The Legacy System and replacement MMIS report timeliness and accuracy using completely different methodologies.

The "Monthly MMIS Performance Reports" of the Legacy System provides the "Average Processing Time" for each claim category and the aggregate average for all claim categories. The final Legacy report, covering the month of May 2013, indicated that the aggregate average of all claim categories was nine days.

The replacement MMIS, NCTracks, addresses the timeliness issue through two separate requirements that are Service Level Agreements (SLAs): 1) "Fiscal Agent shall adjudicate ninety (90) percent of all clean claims for payment or denial within thirty (30) calendar days of receipt, and ninety-nine (99) percent of all clean claims for payment or denial within ninety (90) calendar days of receipt" and 2) "Fiscal Agent shall adjudicate all non-clean claims within thirty (30) calendar days of the date of correction of the condition that caused the claim to be unclear."

Prior to "go-live" comparative testing was conducted during Production Simulation Testing (PST). During this testing several checkwrites of Legacy system claims data were processed in NCTracks. CSC generated comparative pricing reports to illustrate claim disposition and payment results between the Legacy system and NCTracks. The comparative pricing reports served as the basis of comparison of adjudication results between NCTracks and Legacy system. As a part of this comparison, differences in payment amounts were reconciled between the two systems.



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The Center for Medicare and Medicaid Services (CMS) periodically conducts the Payment Error Rate Measurement (PERM) Program under the authorization of the Improper Payments Elimination and Recovery Act of 2010 (IPERA). PERM measures improper payments in the Medicaid Program and produces error rates. The error rate for each state is based on reviews of the fee-for-service, managed care, and eligibility components of the Medicaid Program for the fiscal year under review. The error rate is a measurement of payments made that did not meet statutory, regulatory, or administrative requirements. The most recent PERM for the North Carolina Medicaid Program dealt with Fiscal Year 2010. CMS sent the PERM results regarding the performance of the Legacy System to the Division of Medical Assistance in a letter dated November 16, 2011. Tables 1 and 2 (below) are excerpted from that letter:

"This letter is official notice of your state's Medicaid program and component (FFS, managed care, and eligibility) error rates for fiscal year (FY) 2010 and the preliminary sample size estimates for FY 2013.

Table 1: FY 2010 Medicaid Error Rates

Component	FY 2010 Sample Size	Error Rate Estimate	Lower Confidence Interval (95%)	Upper Confidence Interval (95%)
Overall	1036	11.94%	-3.36%	27.24%
Fee-for-service	540	3.4%	0.8%	5.9%
Managed care	280	0.0%	0.0%	0.0%
Eligibility payment error rate	216	8.9%	-6.7%	24.6%

Table 1 above displays samples sizes, error rates, and confidence intervals for each component. A confidence interval is a range around a measurement that conveys the precision of that measurement. If repeatedly sampled, the results would fall within the ranges shown 95% of the time.

Table 2 below displays your state's estimated component sample sizes for FY 2013. Your state's FY 2010 Medicaid error rates and payment variation were reviewed to determine if smaller or larger sample sizes will be required to meet the precision goals established for the FY 2013 PERM cycle. FY 2013 will be your state's first Children's Health Insurance Program (CHIP) PERM cycle and, therefore, your state will have the base sample size for CHIP.

Table 2: Preliminary FY 2013 Sample Sizes



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Component	FY2013 Medicaid Sample Size	FY2013 CHIP Sample Size
Overall	1992	1420
Fee-for-service	396	520
Managed care	240	240

Note that the sample sizes for each component in Table 2 are preliminary. Your state's final sample size will be determined by CMS at the beginning of the FY 2013 cycle."

Regarding the accuracy of provider claims payment in the replacement MMIS, NCTracks, prior to the July 1, 2013 "go-live," MAXIMUS, the OMMISS Independent Verification and Validation Services contractor, carried out an evaluation of the May 2013 User Acceptance Test (UAT). On June 27, 2013, MAXIMUS submitted its "Payment Accuracy Pre-Implementation May UAT Evaluation" report to OMMISS. The relevant findings are as follows:

"The following provides an overview of the results of MAXIMUS' evaluation:

- 128 (100%) claims were received for evaluation by MAXIMUS
- 11 (9%) claims excluded from evaluation because of timing, resource availability, and DPH security/user access issues
- 117 (91%) claims were evaluated by MAXIMUS
- 117 (100%) were deemed to have paid correctly
- 0 (0%) were deemed to have paid incorrectly"

To date, CMS has not scheduled a PERM assessment of the Replacement MMIS; therefore, there is nothing else to report to the NCGA at this time.

E. COSTS ASSOCIATED WITH REQUIRED CAPABILITIES NOT AVAILABLE AT GO-LIVE

As was reported previously in MMIS Full Implementation Progress Report to the North Carolina General Assembly under SL 2013-360, Section 12A.4.(g)(1), there were a total of 136 Replacement MMIS capabilities that were not available at "go-live," each associated with a particular Change Service Request (CSR). Additionally, there were a total of 159 issues that were identified during UAT which were not resolved by "go-live."

If a capability missing at go-live is a contractual requirement, there are no costs to the State upon implementation of this capability. If the missing capability is a result of a change introduced in the Legacy MMIS and the schedule prohibited the change to be implemented in NCTracks, the cost of this change is the responsibility of the State.



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End of Report