

OPEGA
RAPID
RESPONSE
REVIEW

FINAL
REPORT

December
2005



Review of MECMS Stabilization Reporting

Reporting Provides Realistic Picture;
Effective Oversight Requires More Focus
on Challenges and Risks

a final report by

the Office of Program Evaluation & Government Accountability

About the Review

Purpose

OPEGA Sought to Answer the Question...

Is the legislature being provided an accurate and complete picture of MECMS Stabilization status and the associated challenges and risks?

To Answer This Question, OPEGA is focused on...

- ◎ Data presented in status reports
- ◎ Additional information for monitoring progress
- ◎ Significant challenges impacting timely resolution
- ◎ Significant risks and ramifications

Methods

- Interviewed State officials & consultants
- Reviewed relevant documents
- Obtained perspectives of legislators
- Observed presentations to Committees
- Verified reported data and trends
- Learned about key activities and processes
- Interviewed sample of providers
- Reviewed information on State's website
- Observed progress made over time

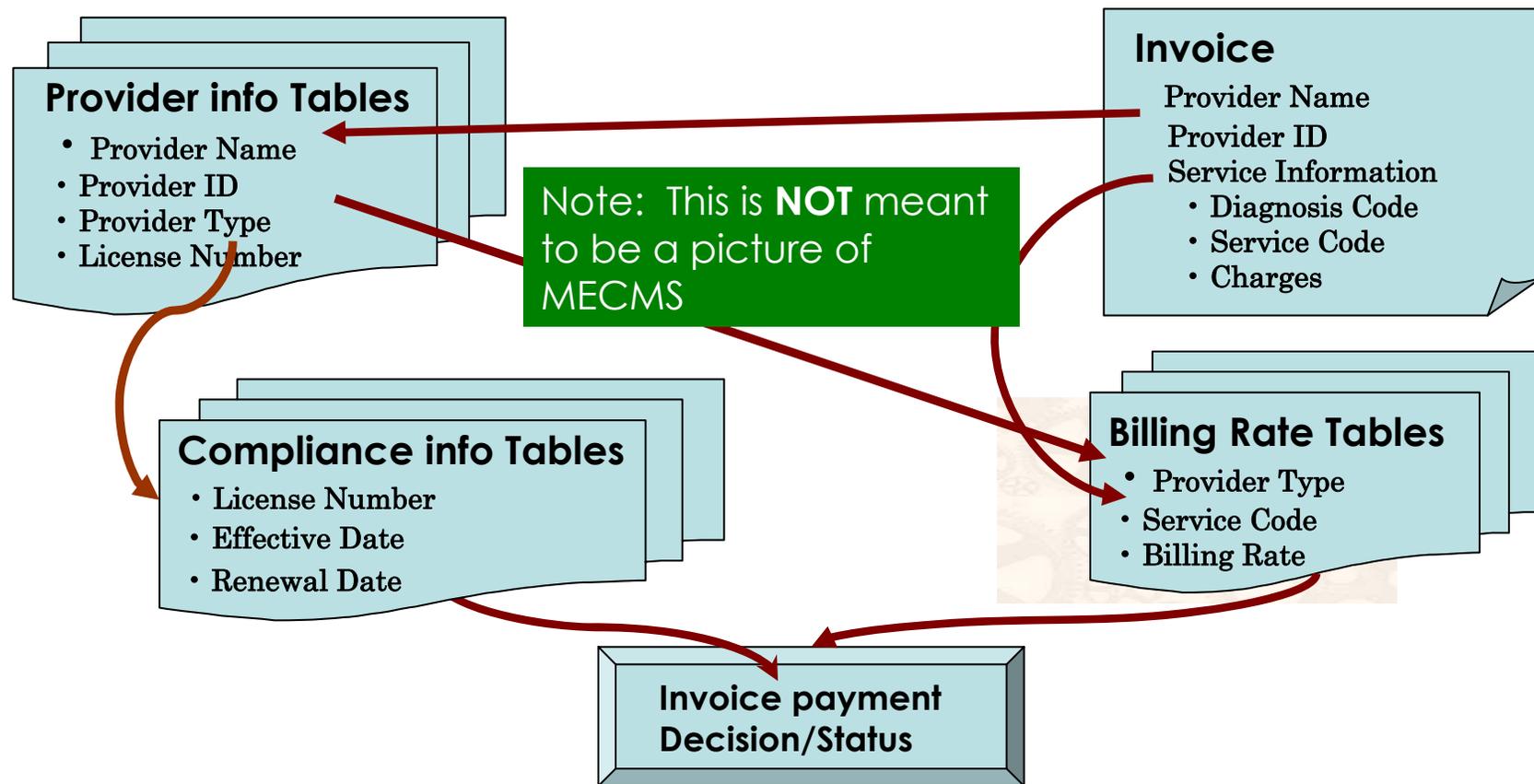
Overview of MECMS Situation

MECMS History

- MECMS Phase I went live on January 27, 2005
- MECMS replaced 25 year old Maine Medicaid Information System
- New system required by CMS to meet HIPAA regs; funding project at 90%
- MECMS project began in 2001 when DHS hired CNSI
- In 2001, info systems for DHS were the responsibility of the Division of Technology Services within DHS
- The IT function for DHHS was absorbed into the Office of Technology under the State CIO earlier this year

MECMS Design

MECMS is rule-based; relational database design



MECMS Stabilization Efforts

- MECMS implementation proved premature
- Unable to process claims in timely manner
- Stabilization efforts began immediately

Stabilization efforts = Activities to resolve problems with MECMS so that claims are fully processed on regular and timely basis.

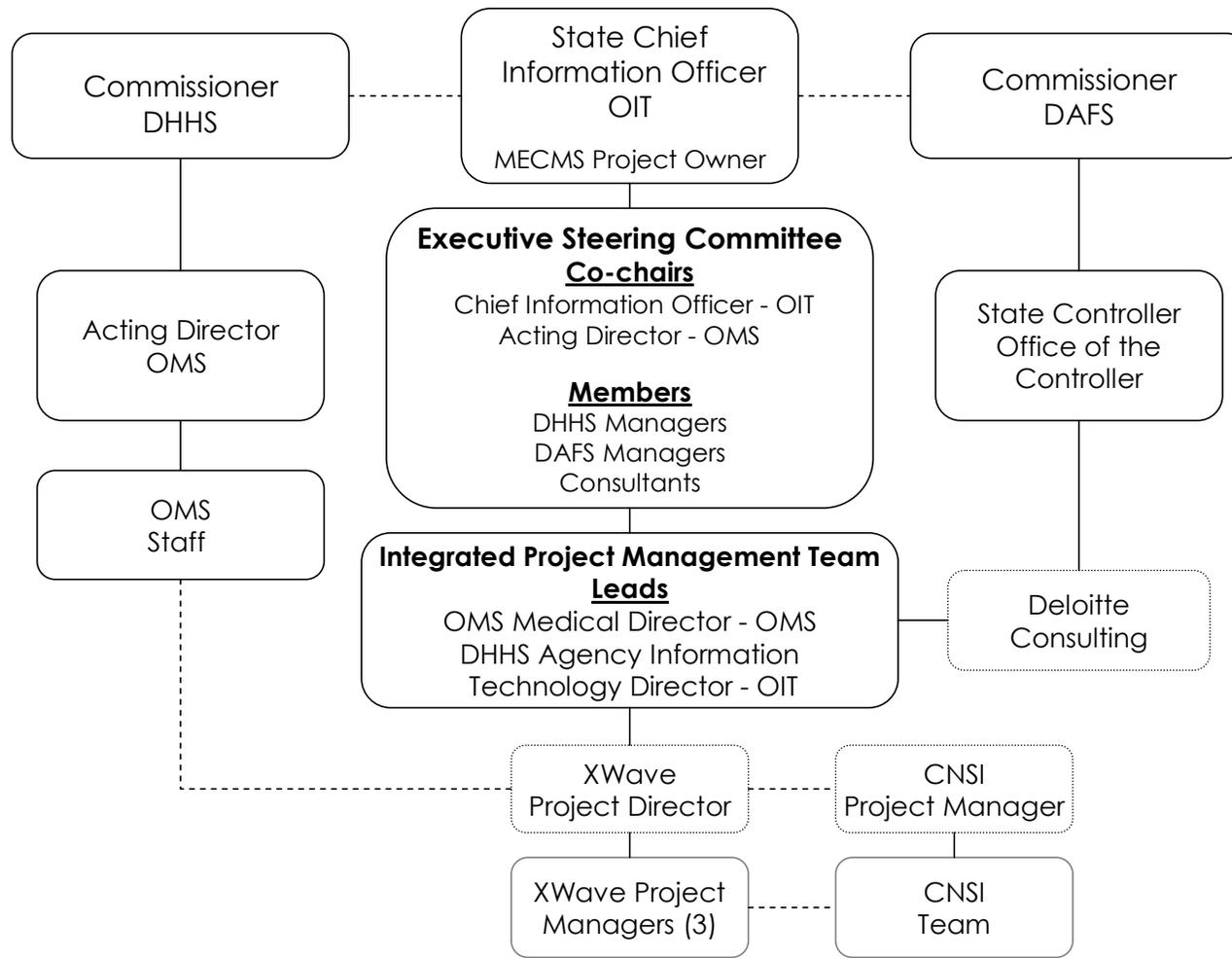
MECMS Stabilization Efforts

Initial response to MECMS failures limited by weaknesses in key areas:

- ✓ detailed understanding of MECMS and federal requirements including HIPAA
- ✓ project management
- ✓ data reliability
- ✓ risk management
- ✓ protocols for system changes

MECMS Stabilization Efforts

MECMS Project Organization



New Project Organization began taking shape in April 2005

MECMS Stabilization Efforts

- Top administration officials heavily involved
- Competent consultants filling key roles
- Stronger project teams taking control
- Monitoring of key performance indicators
- Defined processes for setting priorities
- Established protocols for making system changes
- Progress tracked against detailed plans & milestones
- Provider input solicited and incorporated

MECMS Stabilization Efforts

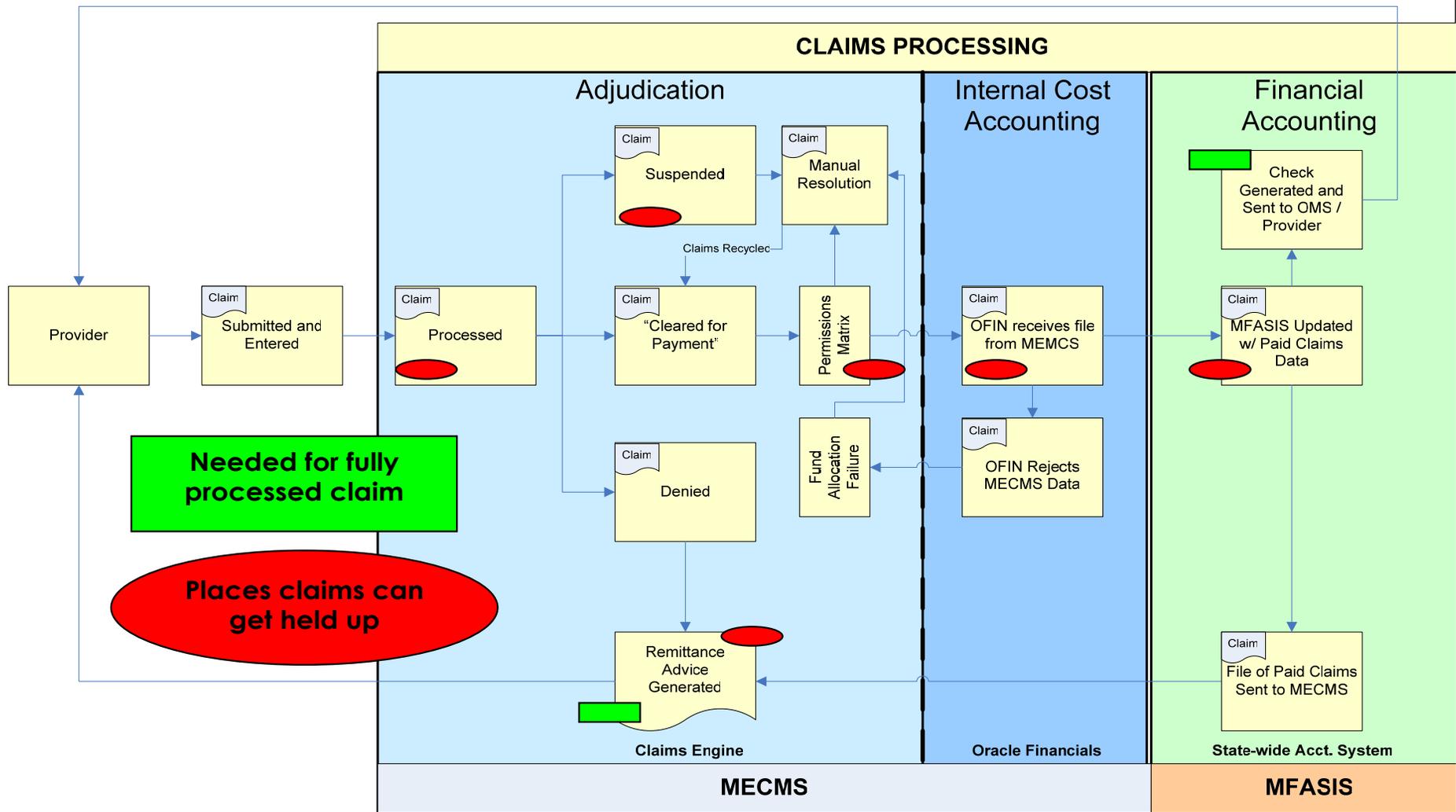
- Stabilization efforts involve resolving large number of technical and data compatibility issues while adapting to changing policies
- Significant strides made since July; slow but steady progress continues
- Fresh claims adjudicating at rate of 85%; up from 61% in mid-June
- Fresh claims suspending at rate of 15%; down from 39% in mid-June

CMS Review

- CMS must ultimately “certify” MECMS
- CMS measures project success as:
 - Stabilization of current system
 - Transition of operations to State staff
 - Completion of remaining functionality
- CMS reviewed MECMS in late to July
 - approved continued funding at 90%
 - Impressed with newly established project management
 - Identified risks that needed to be addressed
- CMS continues to monitor; Management reports progress regularly

Unprocessed Claims

MECMS Claims Lifecycle



Unprocessed Claims

Claims needing special attention have exceeded capacity to resolve in timely manner



Backlogged Claims -
rejected by MECMS
before processing



Suspended Claims –
encountered errors when
processing in MECMS
claims engine



Remittance Advice Missing –
MECMS did not generate
remittance advice



Adjudicated but not Released –
cleared for payment by MECMS
but not paid by MFASIS due to:



Timing (1 week lag)



Rejected by MECMS
Permissions Matrix (fund
allocation failure)



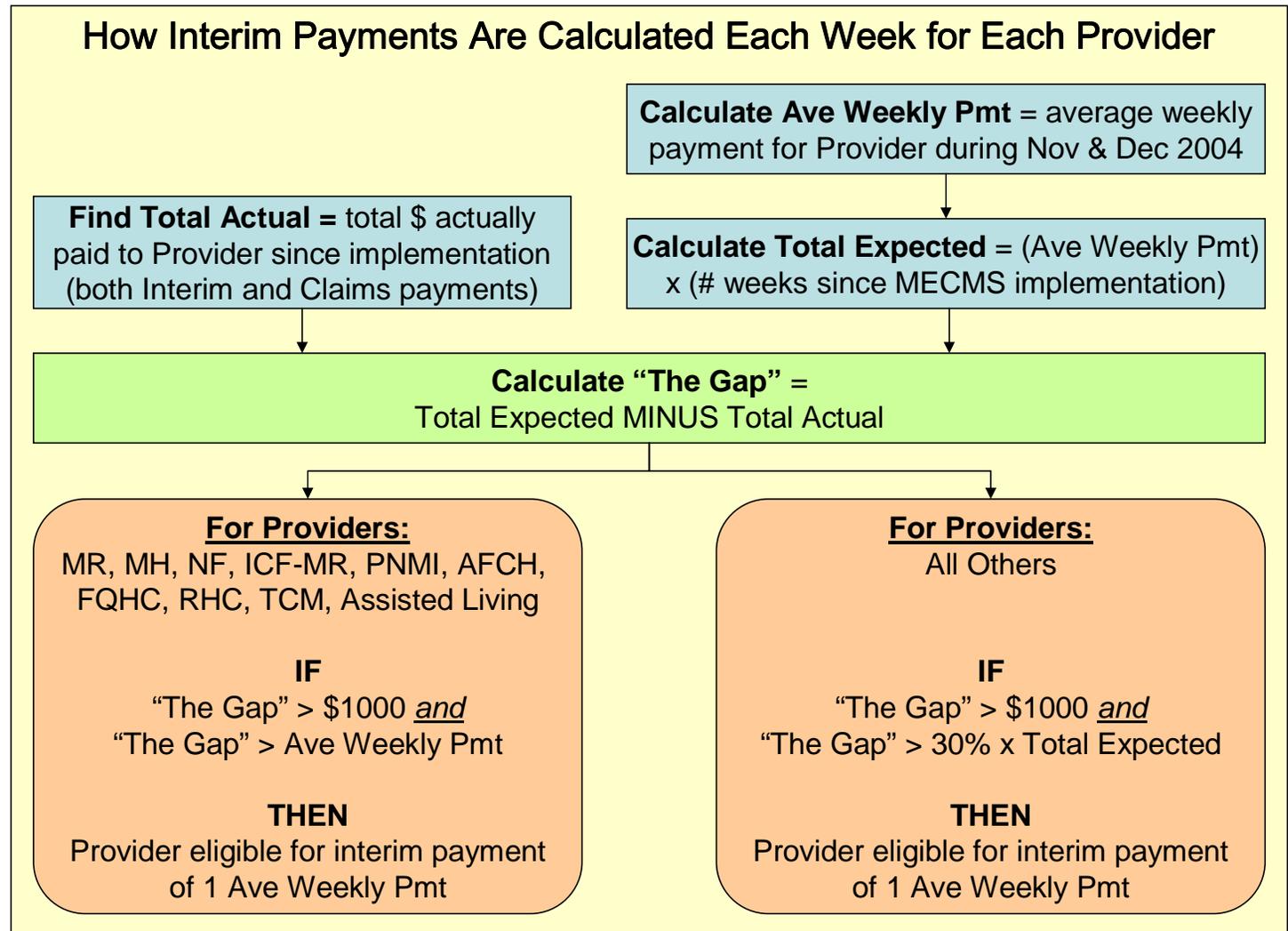
Rejected in interfaces
between MECMS and
Oracle Financials or Oracle
Financials and MFASIS

Unprocessed Claims

- Majority are Suspended Claims
- Difficult to resolve; many possible reasons for suspension
- 43% more than 90 days old at Nov. 1st
- Fresh suspensions exceed OMS ability to resolve manually; tech solutions helping keep pace
- Suspended Claim inventory is dropping – 365,113 at Nov. 1st to 321,002 as of Nov. 27th
- Root cause analysis recently completed to help identify and resolve key reasons for suspension

Interim Payments

Continuing unprocessed claims means extended reliance on Interim Payments



Interim Payments

Interim Payments not tied to specific claims

Plus

Timing of payments unpredictable

Equals

Cash flow and accounting concerns for State
and providers

Requires

Three-way reconciliation and recovery effort;
pilot effort has begun

MECMS Phase II

**Delayed by Phase I
problems; MECMS still
missing critical functionality**

- HIPAA Compliance
- Cross Over Claims
- Online Claims Submission/Portal Access
- Remaining Subsystems
 - Rate Setting (Partially Implemented in Phase I)
 - Drug Rebate
 - Third Party Liability
 - Maine Medicaid Decision Support (Reporting)
 - Surveillance and Utilization Review
- Various interfaces to external entities

Challenging Environment

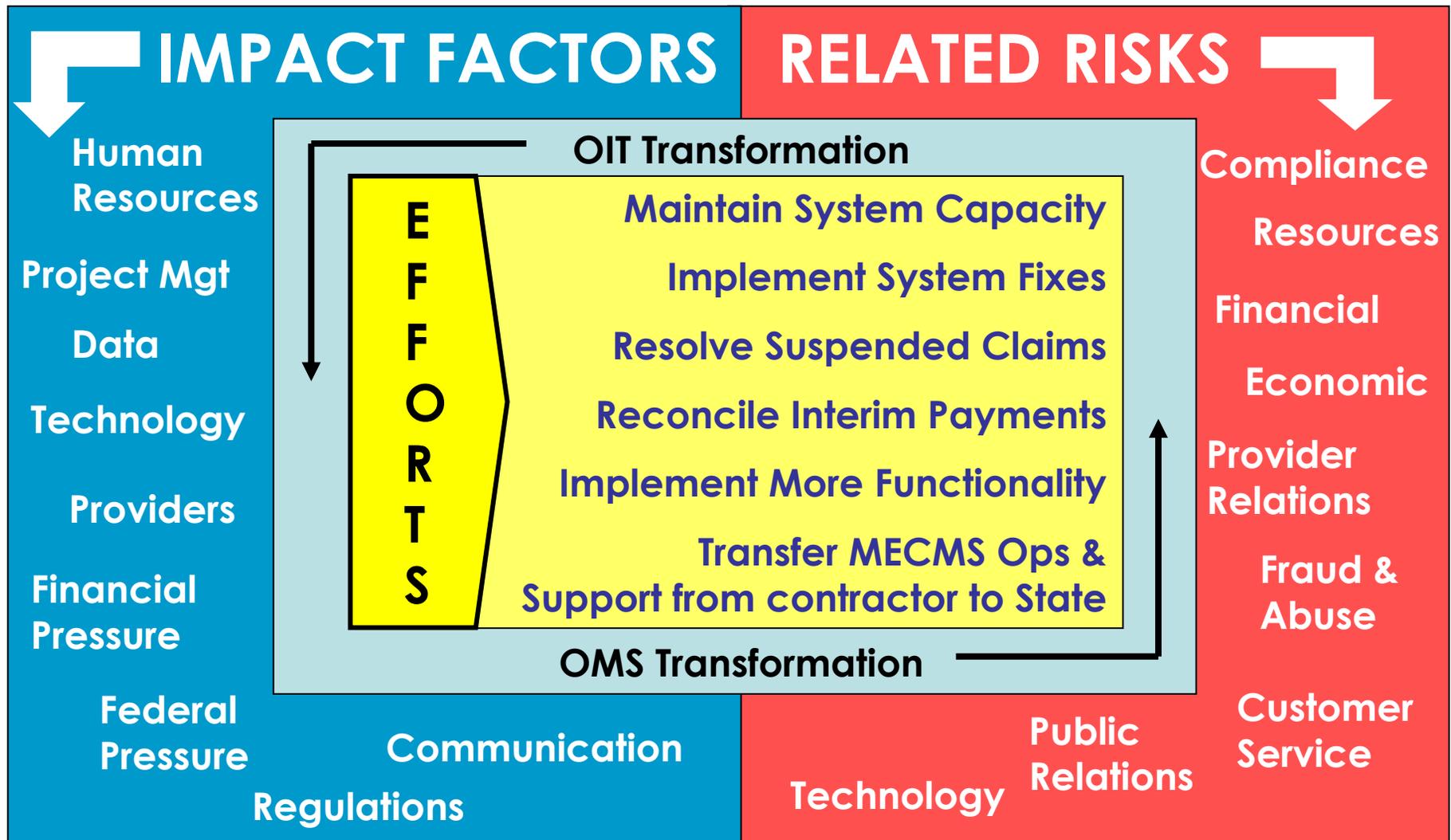
Stabilization goal =

- MECMS operating as “predictable and reliable” system **with**
- manageable level of Suspended Claims **allowing**
- elimination of Interim Payments

Stabilization and related efforts expected to continue well into 2006

Challenging Environment

Many efforts ongoing simultaneously



Legislative Oversight Of MECMS Situation

Current Oversight Activities

- MECMS situation monitored by AFA and HHS
- Management provides monthly Progress Reports
- Capacity to provide information initially limited
- Format and content of reports has improved
- Reports focus mainly on current status

Legislators' Needs

Legislature plays important oversight role

- ❑ Identifying significant areas of concern
- ❑ Assuring appropriate and timely action by Management
- ❑ Evaluating need for legislative action

Legislators' Needs

Legislators with oversight responsibility need a proper frame of reference from which to identify concerns and evaluate management actions.

Requires

Sufficient understanding of:

- major activities and processes
- technical complexities
- factors impacting resolution
- potential risks

Adequate opportunity for:

- exchanges with management
- discussions among themselves

Legislators' Needs

All legislators should be able to adequately respond to public with consistent message

Requires

Common understanding supported by sufficient, accurate and current information

Conclusions

Conclusions

1. Progress Reports and oral briefings now present realistic picture of current status of stabilization and significant related efforts
 - Written reports improved over time
 - Since October, written reports include sufficient info to monitor progress
 - Management forthcoming in responses to questions

OPEGA noted reliance on CNSI to provide performance data

Conclusions

2. Effectiveness of oversight may be limited by insufficient understanding of significant challenges and risks due to:
 - a. Complicated nature of situation
 - b. Amount of activity and change
 - c. Limited time JS Committees have to devote
 - d. Limited management time and resources
 - e. Degree to which management has assessed challenges and risks

OPEGA noted Management has not directly discussed reasons for MECMS implementation failure

Conclusions

3. Legislators have differing information and perspectives which affects public's understanding of situation. Differences mainly due to:
 - a. Information Management providing to JS Committees not being widely distributed to Legislature at large
 - b. Members of JS Committees may receive different views stemming from potentially different oral briefings

Findings and Observations

Findings and Observations

- Based on premise that Management and Legislature equally share responsibility for improving oversight
- Relate to specific scope of this review
- Finding = internal control deficiencies that may expose State to significant risk
- Observation = opportunities for improving effectiveness or efficiency

Finding 1

Finding

MECMS performance data provided by CNSI is not independently verified or validated

Management Action

New Quality Assurance process being designed for MECMS will include activities to validate performance data

Observation 1

Observation

Prior to October 2005, Progress Reports did not provide clear picture of progress over time

Management Action

Management incorporated OPEGA's suggestions for additional data and more graphic format into a new report format first used in October 2005

Observation 2

Observation

Legislature has not received adequate explanation of reasons for MECMS implementation failure and corrective actions taken

Management Action

If requested, Management will give presentation on root causes of MECMS implementation failure, as noted by OPEGA, to JS Committees of jurisdiction

OPEGA did NOT recommend that Management divert attention away from stabilization in order to perform full post-mortem and identify responsible parties

Observation 2

OPEGA noted the following root causes:

- Large, complex system incorporating complicated and changing regulatory requirements
- Culture of operational expediency
- Organizational structure with IT housed within DHS
- Inadequate planning and risk assessment on many fronts
- Chronically constrained financial resources & staffing
- Insufficient capacity in agency with project responsibility

Observation 2

OPEGA noted the following root causes:

- Heavy reliance on contractor that had no prior experience with claims management systems
- Lack of project management skills & discipline – both DHS and contractor
- Inadequate contract management
- Not adhering to an accepted SDLC
- Minimal involvement of system users
- Inadequate system testing
- Dismissal of IVR consultant with no replacement
- Pressure from federal CMS

Observation 2

- **Management has:**
 - Indirectly implied these factors contributed to implementation failure in exchanges with AFA and HHS
 - Taken actions to address many of these root causes to make progress on stabilization
 - Proceeded with planned OIT transformation which was initiated to address systemic Statewide root causes
- **Management has not:**
 - Discussed these contributing factors in direct response to the Legislature's question of what caused MECMS implementation failure

Observation 3

Observation

Legislative forums have not been adequate to support effective oversight in this complex situation

Recommendations

- A. Provide opportunities for fuller discussion**
- B. Reduce time spent on oral walk-through of written Progress Reports**
- C. Arrange for AFA and HHS to meet jointly to receive oral briefings**
- D. Utilize non-partisan legislative staff to help obtain frame of reference**

Observation 4

Observation

Information obtained by AFA and HHS Committees is not shared with all other legislators

Recommendation

Share MECMS-related information among all legislators by distributing Progress Reports or providing summaries and highlights of oral briefings

Summary of Challenges and Risks

Challenges and Risks

Appendix B has discussion and key oversight questions for areas that warrant attention

- Human Resources
- Project Management
- Technology
- Contract Management
- Suspended Claims
- Provider Payments
- Provider Relations
- Interim Payment Reconciliation & Recovery
- Compliance
- Fraud and Abuse
- Funding

Acknowledgements

Acknowledgements

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- OFPR and OPLA Analysts

Questions?