House Finance Committee

Margaret Brodie | Director, Health Care Services

Medicaid Payment System Status Update

May 11, 2015
October 2013: Alaska Medicaid program deployed a new claims payment system developed by Xerox Corporation to replace the old system.

These systems are known as Medicaid Management Information Systems (MMIS).

The new system had significant performance problems; many claims suspended or denied in error, causing providers to experience serious difficulties getting paid.
While Xerox worked to fix the system, the State issued advance payments to providers on request. The State has made over $165 million in advance payments. Of that, the State has recouped $70 million as of May 1, 2015.
State holds Xerox accountable

- **August 2014** – State finds Xerox in breach of contract due to performance problems.
- **October 2014** – Xerox agrees to corrective action plan.
- **February 2015** – Administrative hearing on liquidated damages. Decision pending; next hearing scheduled for August 2015.
- **May 2015** – The system is processing new claims at greater than 90 percent accuracy. This is better performance than the old legacy system.
System Improvement

- Xerox and the State agreed to a Correction Action Plan requiring correct claims pricing and correct claims payment by certain timelines.
- Xerox is required to make 17 system corrections, called Design, Development & Implementation (DDI) deliverables.
- Xerox has submitted all deliverables. They have not been fully accepted by the State.
System Improvement, cont.

- State outlined 38 items that needed to be completed for the corrective action plan.
  - 16 effect claims
  - 4 have already been resolved

- For system acceptance the State outlined:
  - 19 deferred items
  - 13 DDI deliverables
There are three components to the system:
- Claims processing
- Financial accounting
- Reporting

Claims processing has dramatically improved. Claims are now processing timely and with over 90 percent accuracy.

Acceptance by the State depends on:
- Additional fixes to financial reason codes
- Further improvements in reporting
Defects
System Performance

AK Medicaid Claims Processing System Performance Report
Payment Processing

HISTORIC
TARGET
February 2015 Affidavit

• A February 2015 affidavit signed by Margaret Brodie, Director of Health Care Services, outlined the problems the State had with Xerox’s system since its October 2013 deployment.

• Since that time, many of the defects identified have been corrected or significantly improved.
Item Number 7: Defects

- Affidavit: System unable to accurately balance claims as a result of an embedded rounding error
- Current Status: CORRECTED, April 2015

- Affidavit: Slow system performance on medical service authorization – authorizations were taking 30 minutes
- Current Status: IMPROVED: Authorizations are taking 5 to 10 minutes. Xerox has committed to continuous improvement.
Item Number 7: Defects cont.

- Affidavit: System does not price claims correctly (12.4 percent of all claims are not pricing correctly):
  - Current Status: CORRECTED, March 2015.

- Affidavit: System fails to pay certain categories of claims (e.g. hospital stays longer than three days)
  - Current Status: CORRECTED with minor exceptions:
    - TEFRA – solution ready to go (few claims)
    - Hospital stays where Medicaid is secondary payer primary (low dollar amounts)
Item Number 7: Defects, cont.

- Affidavit: System inappropriately denies claims; many remain wrongly denied and outstanding for over a year
- Current Status: CORRECTED. New claims are processing correcting.
  - Backlog: Old claims wrongly denied have been identified and are being reprocessed. Many providers have resubmitted claims and been paid. September target for completion.
Affidavit: System is unable to process many claims, causing the claims to incorrectly suspend.

Current Status: CORRECTED.

Some claims suspend because they require manual review:

- **School-based services** suspend pending payment of the school district’s state match.
- **Durable medical equipment** claims suspend for manual review of the invoices.
- Claims that require **medical necessity justification** suspend until payment is authorized.
- Claims that were first **billed to insurance** suspend until any insurance payments are reviewed.
• Affidavit: System lists claims as being paid, but links no provider to the claim, so checks can’t issue and the claims aren’t paid.
  
• Current Status: CORRECTED.

• Affidavit: System pays wrong provider.
  
• Current Status: CORRECTED.
- Affidavit: System is not able to produce cost-based reports needed to change provider rates
- Current Status: Xerox correction target date June 2015
- Affidavit: Error with third-party liability insurance
- Current Status: CORRECTED.
Item Number 10: Responding to Providers

• Affidavit: Xerox is not adequately responding to provider calls.
• Current Status: The number of calls being abandoned has decreased significantly. This means Xerox has increased its capacity to handle provider calls.
Item Number 11: State Staff Time

• Affidavit: Xerox system problems are requiring State time and resources.
• Current Status: State staff time spent working with providers on claims problems has decreased considerably in the last three months.
  • DHSS has one dedicated FTE remaining through December 2015.
Item Number 12: Loss of Federal Match

- Affidavit: Xerox problems are delaying enhanced federal reimbursement to the State for the MMIS project.
- Current Status: When the system is certified the State will receive the 25% enhanced match. There is no loss of federal funds.
  - CMS letter: “Upon certification....the state may retroactively claim the remaining 25%”
Affidavit: The State is having to advance payments to providers due to Xerox system problems.

Current Status:
- $165 million in advance payments have been issued
- $70 million has been recouped from providers; collections are ongoing.
Item Number 14: General Fund Shifting

- Affidavit: Legislative Audit disallowed manual adjudication of advance payments, delaying State’s ability to receive federal match FY 2014.
- Current Status: Correction in progress. As we process these claims though the MMIS system, the State will be able to receive federal reimbursement in FY 2015 and FY 2016.
  - There is no loss of general funds.
Item Number 15: Loss of Insurance Payments

• Affidavit: System did not produce clean data to allow state to bill third-party payers.
• Current Status: CORRECTED.
• Going out this week:
  • Commercial insurance billing: $37 million
  • Commercial insurance billing: $200 thousand
  • Medicare billing: $48 thousand
• Going out next week:
  • Medicare B billing: $25 thousand
Item Number 16: Xerox not Fully Staffed

- Affidavit: Xerox did not sufficiently staff its Alaska project.
- Current Status: Xerox continues to recruit for these positions. State is monitoring closely.
Item Number 17: Liability of Audits

- Affidavit: We anticipated Xerox problems would cause the State to have high error rates in federal Payment Error Rate Measurement (PERM) audits.
- Current Status: Preliminary results from the PERM audit in March, April, and May are very positive, with lower-than-expected error rates.

- Affidavit: Xerox’s processing of editing claims does not meet federal criteria.
- Current Status: Xerox is working on it. This problem is not unique to Alaska and exists throughout Xerox’s MMIS legacy and new systems.

- Current Status: Audit not finalized yet.
Affidavit: Concern Xerox system would hamper State’s capacity to comply with Medicaid mandates and regulation projects.

Current Status: Capacity has improved and we are addressing the mandates and regulation projects:

- ICD-10 is on schedule.
- Xerox provided T-MSIS proposal – currently negotiating
- HIPAA Operating Rules is in progress.
- Mandates were prioritized and the remaining will follow completion of the above.
- Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) in progress.
- Free Standing Birth Center in progress.
- New Waiver Regulations in progress.
- Last EPSDT regulations in progress.
Affidavit: Built-in system problems may create more costly maintenance.

Current Status: Xerox and the state are taking steps to work cooperatively to reduce costs as much as possible.
Reprocessing

- 230,371 claims to be reprocessed that will result in a payout
  - Have been prioritized and work is on-going
  - Can reprocess approximately 20,000 claims an hour

- 226,000 claims to be reprocessed that will result in recoupment
  - Letters went out to these providers on May 1st

- 5,436 claims to be reprocessed – no financial impact
QUESTIONS?

Thank You