



VISION

ALASKA INDIVIDUALS, FAMILIES AND COMMUNITIES ARE SAFE AND HEALTHY

MISSION

TO PROMOTE AND PROTECT THE HEALTH AND WELL-BEING OF ALASKANS

House Finance Committee

Margaret Brodie | Director, Health Care Services

Medicaid Payment System Status Update

May 11, 2015

Background

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.



Background, cont.

- 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.



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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.



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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



System Improvement, cont.

- There are three components to the system:
 - Claims processing
 - Financial accounting
 - Reporting

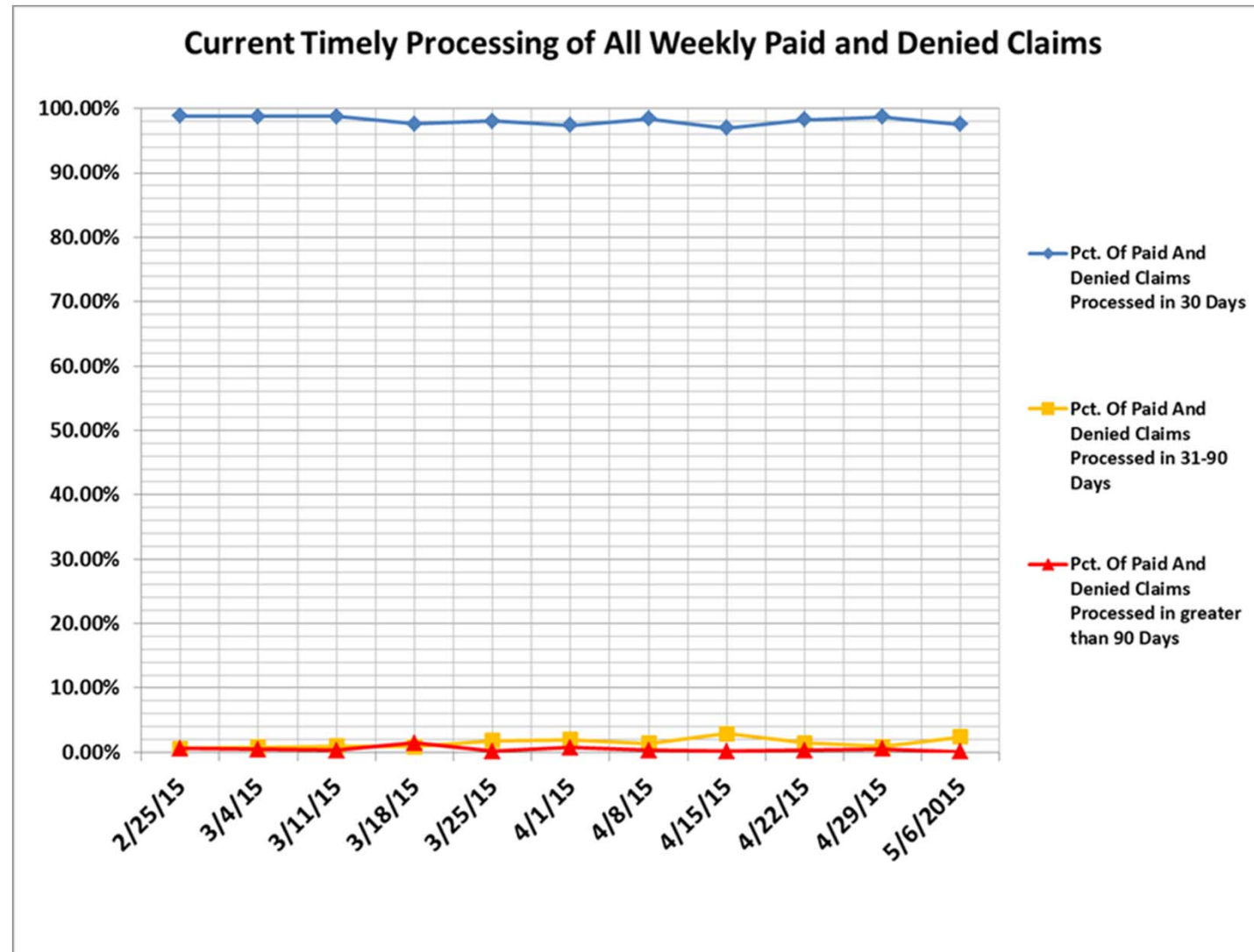
Claims processing has dramatically improved. Claims are now processing timely and with over 90 percent accuracy.

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

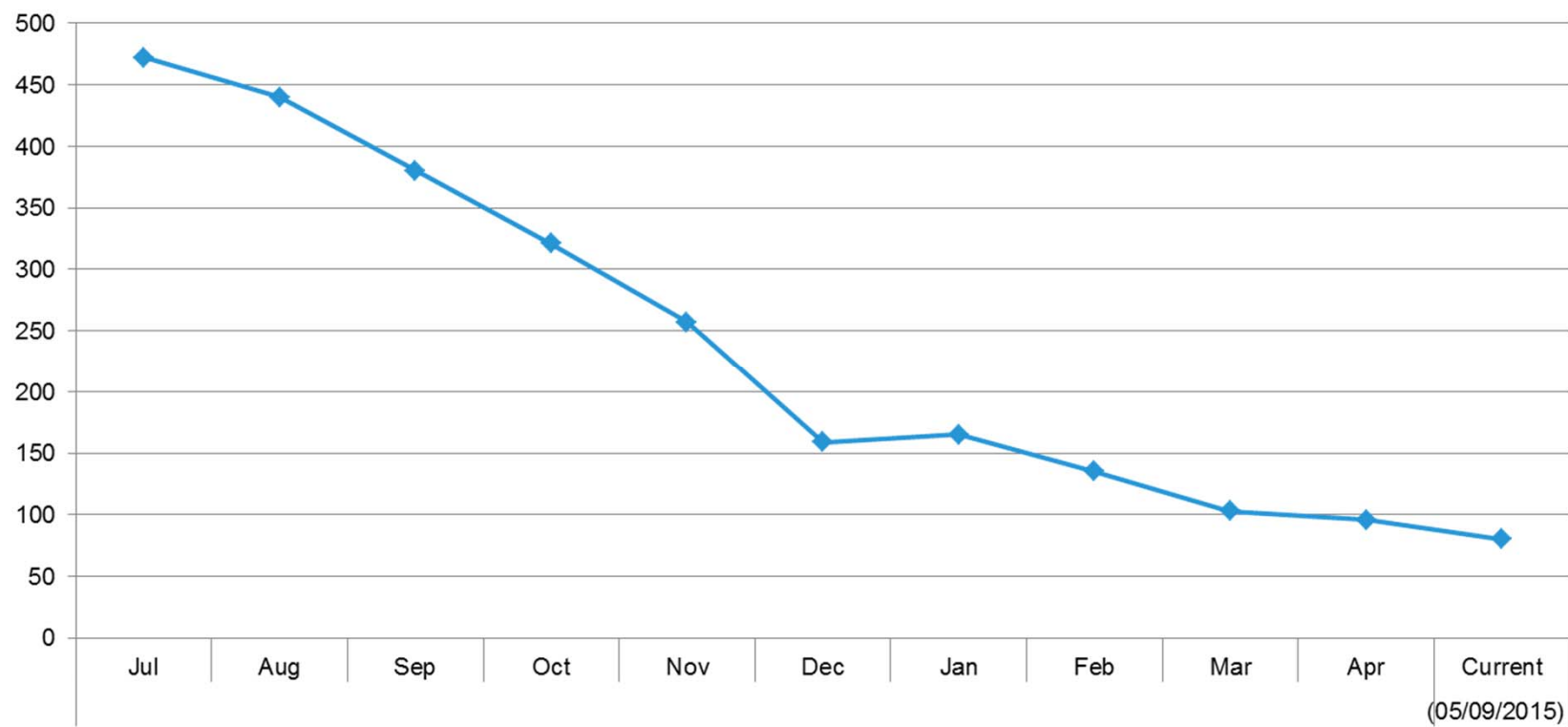


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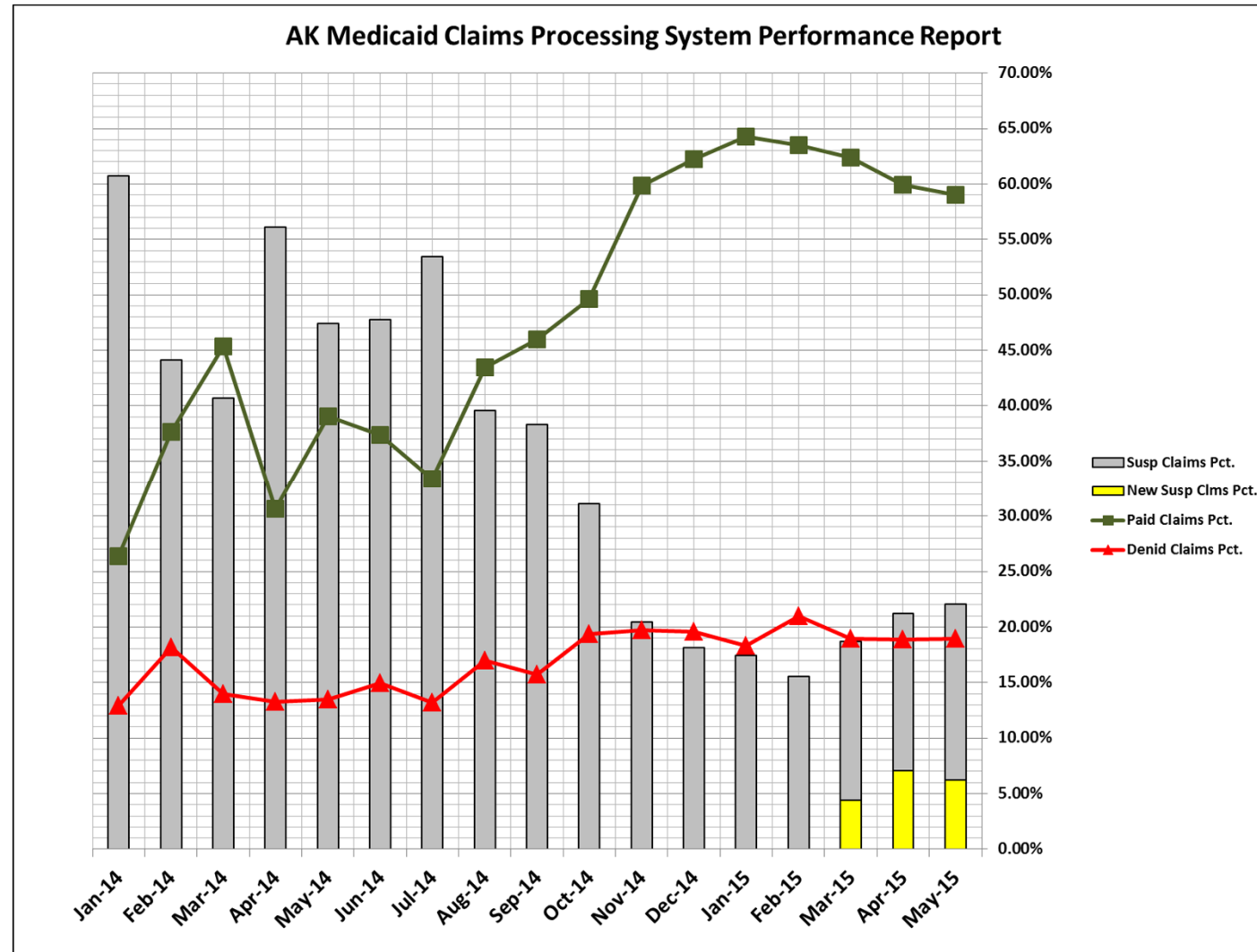
System Timeliness



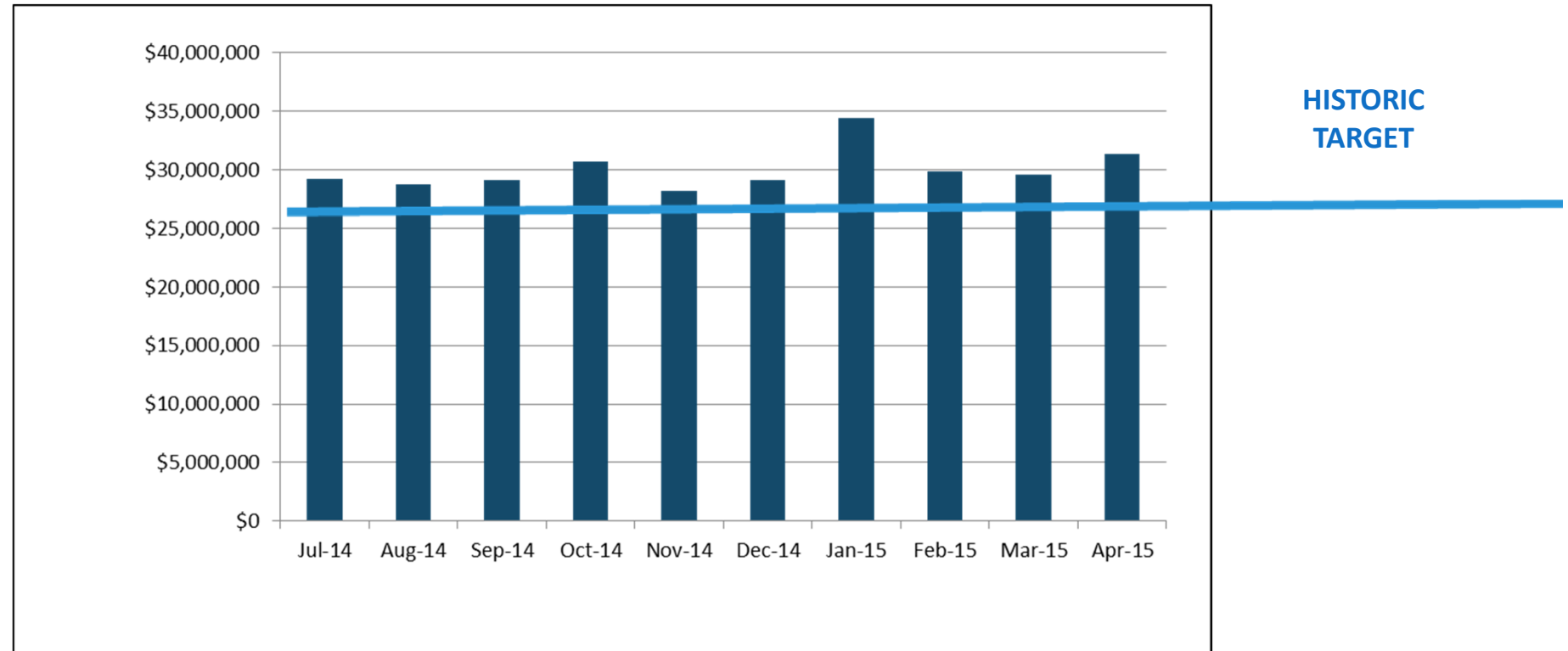
Defects



System Performance



Payment Processing



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.



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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.



Item Number 7 Defects cont.

- 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.



Item Number 7 Defects cont.

- 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.



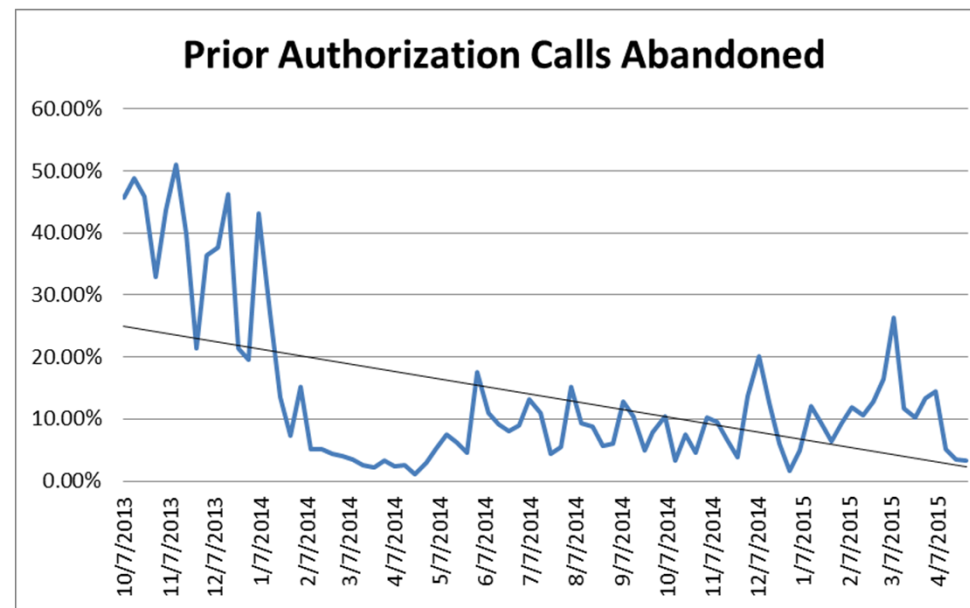
Item Number 7 Defects cont.

- 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.



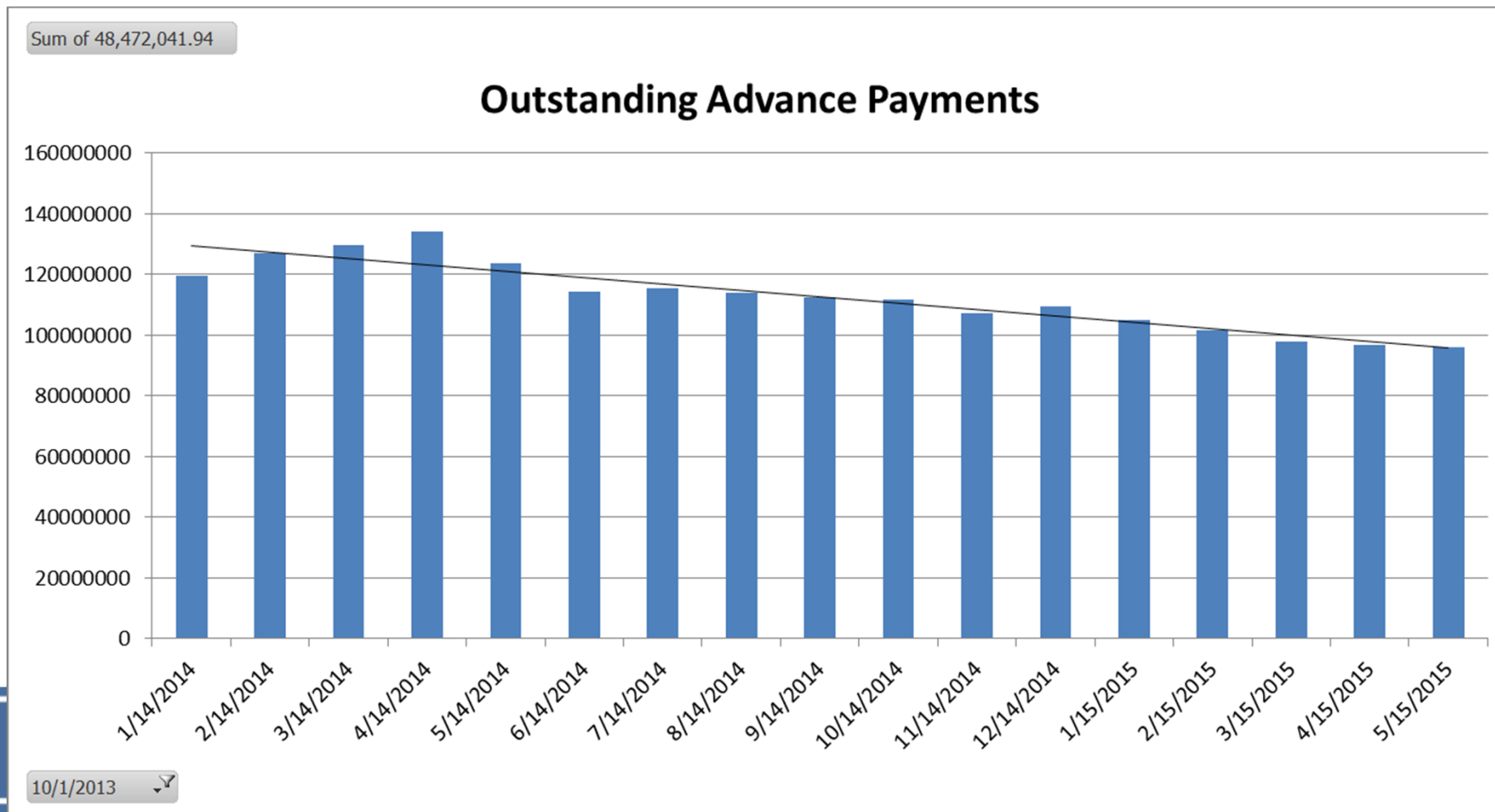
Item Number 12: Loss of Federal Match

- 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%”



Item Number 13: Advances to Providers

- 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 through 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.
- Affidavit: State concerned about federal Office of Inspector General (OIG) audit of IHS payment.
- Current Status: Audit not finalized yet.



Items 18 and 19: Mandates & Regulation

- 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.



Item Number 21: Future Costs

- 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

