



STATE OF MARYLAND

DHMH

Maryland Department of Health and Mental Hygiene

201 W. Preston Street • Baltimore, Maryland 21201

Martin O'Malley, Governor – Anthony G. Brown, Lt. Governor – Joshua M. Sharfstein, M.D., Secretary

May 16, 2014

The Honorable Edward J. Kasemeyer
Chair
Senate Budget and Taxation Committee
3 West Miller Senate Building
Annapolis, MD 21401-1991

The Honorable Norman H. Conway
Chair
House Appropriations Committee
121 House Office Building
Annapolis, MD 21401-1991

The Honorable Thomas M. Middleton
Chair
Senate Finance Committee
3 East Miller Senate Building
Annapolis, MD 21401-1991

The Honorable Peter Hammen
Chair
House Health and Government
Operations Committee
Annapolis, MD 21401-1991

RE: 2013 JCR Pg. 72 – DDA – Report on Financial System Changes in DDA

Dear Chairmen Kasemeyer, Middleton, Conway and Hammen:

Thank you for your continued interest and support of the Developmental Disabilities Administration (DDA). I am writing to provide you and your colleagues with an update regarding DDA's efforts to restructure its fiscal management system, pursuant to the 2013 Joint Chairmen's Report (Pg. 72).

In January 2013, the Department of Health and Mental Hygiene executed a contract with Alvarez and Marsal (A&M) to analyze the DDA's current financial processes, design to-be processes and develop recommendations for the future financial systems platform. For your convenience, I have attached A&M's recent report to DDA that provides these recommendations. DDA agrees with the recommendations in the report and will be moving forward with implementation.

The Department will continue to provide regular updates to the General Assembly on our progress implementing the recommendations in the report. If you have any questions, please contact Bernard Simons, Executive Director of DDA, at (410) 767-5600.

Sincerely,

Joshua M. Sharfstein, M.D.
Secretary

Enclosure

cc: Members, Senate Budget and Taxation Committee
Members, Senate Finance Committee
Members, House Appropriations Committee
Members, House Health and Government Operations Committee
Dr. Gayle Jordan-Randolph, Deputy Secretary, Behavioral Health and Disabilities
Patrick Dooley, Assistant Secretary, DHMH
Bernard Simons, Executive Director, DDA
Dr. Melissa Glynn, Alvarez & Marsal
Allison Taylor, Director, Office of Governmental Affairs
Jennifer Ellick, Department of Legislative Services



Maryland Developmental Disabilities Administration

Presentation of Options and Recommendation for the DDA's
Financial Management Platform

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UPDATE TO THE REPORT DATED FEBRUARY 28, 2014

While the recommendation remains as completed on February 28, 2014, a specific solution in support Option 2- Replace PCIS2 with a new DDA system has been identified that was not previously considered. As this solution is vetted, an updated recommendation will be released.

EXECUTIVE SUMMARY

Over the last several years, significant administrative and financial weaknesses have been discovered within Maryland's Developmental Disabilities Administration (DDA). To address longstanding issues with the DDA's fiscal capacity, Alvarez & Marsal (A&M) was engaged as an independent consultant to support the financial restructuring of the DDA based upon experience providing similar services to other state health and human services programs. A&M's scope included the following:

1. Assess the DDA's current fiscal operations;
2. Identify and recommend interim and long term process improvements;
3. Provide recommendations and support a decision about the future of the DDA's fiscal management platform, the Provider Consumer Information System (PCIS2); and
4. Support the implementation of a fiscal management platform that supports the DDA's restructured processes.

RECOMMENDATION DEVELOPMENT

The first effort identified in A&M's scope resulted in the development of 36 unique process flows and associated narratives detailing the activities currently undertaken to support the financial management and operations of the DDA. Upon completion of the As-Is assessment, the A&M team conducted a gap analysis to identify weaknesses which formed the foundation of recommended interim and long term process improvements. This report addresses the second and third requirements of A&M's scope.

At a high level, A&M is recommending a To-Be financial process for the DDA with the following characteristics:

- A reimbursement funding system (no pre-payments)
- Fee schedule of rates for the majority of DDA services
- Pre-authorization of services through the IP (the Service Funding Plan is eliminated)
- Working capital advance is given to providers to support the transition to the new payment system

Based upon an analysis of the proposed To-Be processes and enabling systems, A&M assessed three possible To-Be billing and payment process options:

1. Option 1: Invoicing and payment activity is separate from DDA generation of Medicaid claims (current process)
2. Option 2: Providers submit data to the DDA to generate Medicaid claims for the processing of their payment.
3. Option 3: Providers directly submit Medicaid claims for the processing of their payment.

A feasibility analysis was conducted on all three options with the following criteria: federal fund liability, provider impact, IT dependencies, and DDA administrative effort. Based on these criteria, DDA and Department of Health and Mental Hygiene (DHMH) management selected option 3 as the best long term approach aligning DDA processes with other waiver programs while reducing financial liability and long term administrative effort for the DDA. Yet, limitations regarding the ability of providers to generate claims may require a hybrid solution where option 2 is used until all providers can transition to the direct submission of claims.

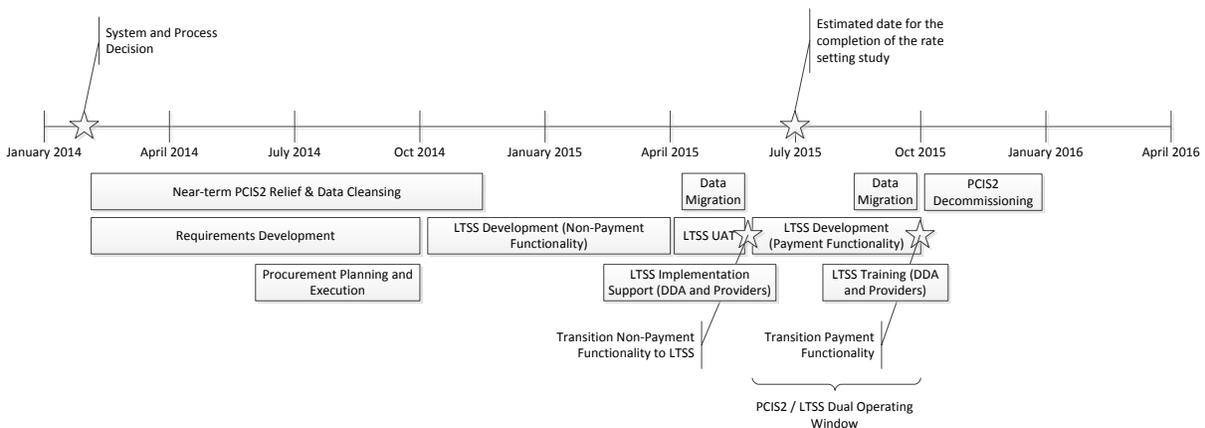
With this process choice understood, A&M evaluated three possible financial management platforms to operate the To-Be process:

1. Option 1: Continue use of PCIS2 with Major Re-engineering and Enhancements
2. Option 2: Replace PCIS2 with a New DDA system
3. Option 3: Replace PCIS2 with the DHMH Long Terms Support System (LTSS)

A feasibility analysis was conducted on all three options, using a rating scale for the following criteria: developmental complexity, relative cost, time to implementation, ability to address DDA’s weaknesses, risk, total cost of ownership and maintenance, alignment with enterprise architecture, and external dependencies. The analysis yielded that option 3 had achieved the highest score. DDA and DHMH management reviewed the options and identified option 3 as the optimal solution.

IMPLEMENTATION PLANNING

As the implementation plan is developed in alignment with item four of A&M’s scope, strategies will need to be developed to meet these prerequisites of the high level To-Be process and support the eventual transition to LTSS. This creates a complex set of both system and operational dependencies that must be factored into road map for LTSS implementation.



Note: Timelines are notional and will be revised through the development of the detailed roadmap.

As shown in the diagram above, full migration to LTSS has several dependencies including performance of an independent rate setting study. Therefore, interim actions are required to improve PCIS2, and a dual operating environment will likely be required as non-payment functionality is migrated to LTSS.

RECOMMENDATION

A&M recommends that the DDA strive to implement the high level To-Be process and a financial platform that leverages the existing DHMH investments of LTSS and the Medicaid Management Information System (MMIS III). These systems in coordination with re-engineered processes will lead to improved fiscal controls, transparency and will ultimately reduce DDA's liability for uncollected federal funds. By making these critical changes and continuing the financial restructuring of the DDA, DDA's management will be enabled to improve its stewardship of funding and ability to meet the needs of Maryland's developmentally disabled population and their families.

BACKGROUND

With a budget of nearly \$1 billion in total funds, the DDA finances services that allow Maryland residents with developmental disabilities and their families to reach their full potential. Over the last seven years, Maryland's financial commitment to the Developmental Disabilities Administration has grown by over 37% and the number of individuals and families served is at an all-time high.

However, over the last several years, significant administrative and financial weaknesses have been discovered within the agency. As noted in previous reports by the Department of Legislative Services' Office of Policy Analysis and Office of Legislative Audits, the federal Department of Health and Human Services (DHHS) Office of the Inspector General, the DDA has longstanding and historic challenges. Recognizing these challenges, the DDA identified 17 key challenges across fiscal, operational, compliance, quality/service provision, and communications/stakeholder engagement in an October 2013 report.

As part of a broader solution to address these issues, A&M was engaged on January 2, 2013 as an independent consultant to support the financial restructuring of the DDA based upon experience providing similar services to other state health and human services programs. A&M's scope included the following:

1. Assess the DDA's current fiscal operations;
2. Identify and recommend interim and long term process improvements;
3. Provide recommendations and support a decision about the future of the DDA's fiscal management platform, the Provider Consumer Information System (PCIS2); and
4. Support the implementation of a fiscal management platform that supports the DDA's restructured processes.

This report outlines the A&M team's recommendations around a high level To-Be process for the DDA and options for the future of the DDA's fiscal management platform.

DEVELOPMENT OF THE HIGH LEVEL TO-BE PROCESSES

AS-IS PROCESS ASSESSMENT

To build a foundation for the DDA's recommended To-Be process, A&M first needed to establish an understanding of the current As-Is process. To develop this understanding, the A&M team spent time working with providers, regional office staff, headquarters staff, Medicaid representatives, and budget / finance representatives, to fully document 36 key processes. By clearly defining and documenting the current As-Is processes, DDA leadership has

been able to more fully understand the current operating environment and has been able to identify opportunities for process improvement both in the near term and long term.

Based on feedback from the Steering Committee, a standing committee organized by DHMH's Secretary and composed of executives from the Department, the following processes were assessed and documented:

- Eligibility Determination
 - DDA Eligibility Determination
 - Placement by Funding Category (Court, Crisis Resolution, Emergency, Transitioning Youth, Waiting List Equity Fund)
 - Medicaid Eligibility Determination
 - Medicaid Financial Redetermination
 - Medicaid Medical Recertification
 - Waiting List Management
- Service Provision
 - Service Funding Plan Development
 - Individual Plan Development
 - Request for Service Change Process
- Fee Payment System (FPS)
 - Attendance
 - Payment Processing
 - Error Correction
 - Payment Reconciliation
 - End of Year DCAR Reconciliation
- Contract / Grants (Non-FPS)
 - Contracts and Grants - New Fiscal Year Award
 - Contracts and Grants - Reconciliation
 - New Directions Enrollment
 - Procurements - Initial Procurement and Award
 - Procurement - Option Year Award
 - Invoicing and Payment
 - Contract Monitoring
- Rate Development
 - FPS Rate Development
 - Contract Rate Development
- Medicaid Billings
 - Medicaid Claims Submission (Paper, PCIS2, Electronic)
 - Medicaid Claims Reconciliation
 - Medicaid Claims Adjustment and Monitoring (Claims Adjustment, Claims Payment and Budget Monitoring)
- Budget and Finance
 - Budget Development
 - Budget Forecasting and Monitoring
 - Drawing Down Federal Funds
 - Budget Adjustments / End of Year Reconciliation

- Quality Monitoring & Controls
 - Utilization Review Process
 - Quality Assurance / Individual Plan Review
- PCIS 2 Governance

The As-Is processes have provided not only A&M, but also DDA and DHMH with transparency into DDA's operational and fiscal procedures. By clearly defining and documenting the current As-Is processes, DDA leadership and A&M have been able to identify opportunities for process improvements both in the near term and long term. Additional details on the DDA's As-Is processes can be found in A&M's published narratives and flow charts.

GAP ANALYSIS

Upon completion of the As-Is assessment and documentation of key processes, the A&M team conducted a detailed gap analysis to evaluate the DDA's existing processes against the following:

- Accepted financial management best practices (broadly and specific for Developmental Disability / Medicaid Programs)
- Rate development best practices of Medicaid waiver programs for developmentally and intellectually disabled populations
- Other Maryland Medicaid Programs
- IT Best Practices for Medicaid Programs

This effort further highlighted weaknesses in the existing processes that needed to be corrected both through short term process enhancements and longer term process changes. Specifically this effort highlighted the following gaps or weaknesses:

- Rates
 - Current rate setting methodology lacks evaluation of indirect and direct costs for a service
 - The components and basis of existing rates are unknown
 - Rates are simply adjusted annually on the basis of an approved Cost Of Living Adjustment
 - Variations exist between rates paid to non-Fee Payment Services (FPS) service providers
 - The ability to review service provision is compromised by a lack of clarity in the services represented by defined payment rates
 - A limited basis exists for the negotiation of reasonable and customary rates across the regions
- Finance
 - Uncertainty exists in the validity of regular financial projections for the DDA
 - Cost drivers/budget levers are embedded in summary data from PCIS2
 - Data limitations have resulted in a limited analysis of financial data to understand program trends
 - There is no observable management reporting system by which DDA Management can quickly understand fiscal performance
 - No ability to tie service information (authorization and attendance) to financial data recorded in the state's financial system
 - Non-FPS services and supplemental invoices are tracked and paid externally to the PCIS2 system

- The pre-payment system requires a lengthy, time intensive reconciliation process
- Invoicing practices and the pre-payment system obfuscate how payments relate to service provision
- DDA is responsible for the collection of Federal funds and must manually reconcile denied claims after providers are paid for services
- Providers are submitting paper CMS 1500 claims form as opposed to using electronic submission which increases errors and delays the processing of claims for payment
- Process Efficiency
 - There is a significant lag in the processing of Request for Service Changes and Service Funding Plans which increases error updates, and weaken financial projections
 - While the Individual Plan (IP) is meant to represent the needs and plan for an individual, the service funding plan drives service provision and is not inherently linked to the IP
 - Multiple levels of review exist without providing additional control over processes
 - Data on key processing and program activities are tracked in excel-based spreadsheets and not PCIS2
 - Many key processes are manual and paper driven with requirements for signatures and manual reviews

CURRENT PCIS2 WEAKNESSES

In addition to reviewing business processes, the A&M team completed an assessment of the PCIS2 database, data model, and application functionality. This assessment yielded that while the database was configured and operating properly, the data model has significant weaknesses and opportunities for improvement. Furthermore, current functionality limitations in PCIS2 negatively impact the ability to effectively manage and execute As-Is process. Highlights of these weaknesses include:

Data Weaknesses/ Reporting

- While some aspects of the data model were implemented with proper database structures, other aspects lack referential integrity constraints and properly normalized data structures
 - As a result of these data model issues, the system has fundamental data integrity problems
- Duplicate data in multiple tables often results inconsistent reports
- When historical queries are requested, journal tables are routinely missing information and present only a partial data history

System Functionality

- Significant performance issues have been found within newly developed functionality
 - Timeouts on the upload of IP and resource coordination data
 - Timeouts on invoice and search result generation
 - Uncertainty concerning the ability to add and support additional users
- 100+ PCIS2 development tasks are currently being tracked; many without an implementation timeframe and as a consequence of this, only the top priority requirements can be services by the PCIS2 team.
- There is a lack of uniform and consistent user interface design across all PCIS2 web page
- The DDA's waiver renewal will require significant changes to core PCIS2 functionality (attendance and billing)

Independent of the future path for PCIS2 and the decision to either enhance or replace the existing system, efforts to cleanse existing data, improve the data model, and establish data modeling standards should be undertaken.

INTERIM PROCESS IMPROVEMENTS

As a result of identified gaps in the existing As-Is processes and critical audit findings, actions were taken to make immediate improvements to DDA's financial operations. Specific actions were taken to address non-value added activities, and the improvement of process outside of DDA's IT system while keeping in mind the future To-Be process state. These interim process improvements included:

- Service Funding Plans
 - Reduced processing time by roughly 33% and reduced the burden on staff resources at headquarters
 - Finalized and published process changes (flowcharts and operating procedures)
 - Held training webinars
 - Limited the approval of retroactive services in an effort to improve forecasting and budget projections
- Contribution to Care
 - Revised the contribution to care calculation to correct longstanding weaknesses
 - Developed a new contribution to care calculation process
 - Working with providers and Division of Eligibility and Waiver Services (DEWS) to implement the revised calculation and process
- Fiscal Management
 - Accounts Payable Processes
 - Identified process control points and opportunities for improvement
 - Trained staff and implemented new tools to reduce processing time and eliminate backlogs
 - Non-Fee Payment Services (FPS) Contract Reconciliation
 - Reviewed and developed process requirements
 - Trained staff and implemented new processes
- Review Behavioral Support Services (BSS)
 - Evaluated existing BSS processes and potential changes required under the new contract
 - Supported contract planning and kickoff
- Utilization Review
 - Developed recoupment process for past Utilization Review (UR) audits
 - Reviewed historical UR audit data
 - Evaluated and developed new protocol to improve the accuracy of the audits and collaboration with providers
- Federal Funds Collection
 - Identified weaknesses in procedural guidelines for provider Medicaid claim submittal
 - Developing billing protocols and claims submission protocols that will increase federal fund reimbursement

HIGH LEVEL TO-BE PROCESSES

Through the implementation of key process changes and exposure to important operational issues, the A&M team has worked with the DDA to solidify a vision for the To-Be process environment. While this To-Be process

environment will dramatically change many longstanding DDA operational and fiscal practices, it is necessary to fully address significant weaknesses in the DDA's current operations.

OPERATING ENVIRONMENT CHARACTERISTICS

The key tenets of the recommended To-Be operating environment and processes include the following:

- A reimbursement funding system (No pre-payments)
- Fee schedule of rates for the majority of DDA services
- Pre-authorization of services through the IP (the Service Funding Plan is eliminated)
- Working capital advance is given to providers to support the transition to the new payment system

Details of these four key tenants are provided below and were critical to the selection of potential options for the future of the DDA's financial management platform. Since potential options for the future of the DDA's financial management platform could influence detailed To-Be processes, a decision was made to wait on the definition and documentation of all To-Be processes until additional details were known about the future financial management platform.

REIMBURSEMENT FUNDING SYSTEM

Under the proposed To-Be process model, the DDA would no longer prospectively pay providers and will instead use a reimbursement funding system to pay providers on the basis of services provided or costs incurred. Using a reimbursement funding system will reduce the reliance on reconciliation processes, reduce the lag between service provision and payment, and improve the validity of data in the financial system for projections.

Under the current pre-payment system, the DDA relies on a complicated set of "win/loss" calculations and a year-end reconciliation to ensure that payments are accurate for both rate-based and non-rate based services. As noted in A&M's gap analysis, this process is cumbersome and time-consuming with some reconciliations taking over a year to complete. By moving to a reimbursement system, the DDA will reduce its reliance on reconciliations, allowing resources to be shifted to efforts focused on the verification of service provision.

The move to a reimbursement funding system also helps providers by reducing the lag between service provision and payment, a current disincentive to taking on new individuals and especially those individuals with significant support needs. Currently, when a provider adds new services to existing individuals or adds new individuals into service, this increase is not reflected in their payment for another 6 months since the pre-payment calculation is based on historical service data from the last completed quarter (two quarters or six months prior). As an example, the pre-payment for a provider's 3rd quarter is based on the 1st quarter's figures and additional services provided in the 2nd quarter won't be reflected in until the 4th quarter pre-payment. With this process modification, a newly rendered service would be paid as soon as the claim is processed.

Finally by moving to a reimbursement funding system, payment data will now reflect actual cost as opposed to estimated costs. As a result, payment data in the state's financial accounting system will reflect the true cost of providing services in the proceeding period (to the extent that claims have been submitted) and may be used more reliably for the completion of projections through a given fiscal year.

FEE SCHEDULE OF RATES FOR SERVICES

Today DDA service spending is split between Fee-Payment System (FPS) Services and Non-FPS contract services. While 80% of the DDA's service spending is through the FPS services, the payments for these services are based on bundled rates for Residential, Day, Supported Employment, and Community Supported Living Arrangements (CSLA) which limit visibility into the cost of specific service components. Furthermore, the non-FPS services are paid through contracts negotiated with providers which are paid on the basis of provider reported costs.

To holistically implement the To-Be process, all services, including service components, will need a fee schedule of rates to operate under the same payment processing system. In addition, using a fee schedule will reduce the risk of paying excess costs for services or unevenly funding similar services across the state.

While it is anticipated that all services will be paid via a rate-schedule, it is likely that some costs will still need to be paid as a cost reimbursement, up to stated limits. This includes cost based services such as purchase of equipment, environmental modifications, or purchase of services.

PRE-AUTHORIZATION OF SERVICES THROUGH THE INDIVIDUAL PLAN (IP)

Under the anticipated To-Be process, the IP would become the guiding document to direct an individual's care and pre-authorize the provision of service. With services pre-authorized through the IP, it would be possible to eliminate the service funding plan and the discrepancies that often exist between these two documents.

To support the pre-authorization of services through the IP, the resource coordinator and an individual's team would continue to develop the IP but a more thorough review of the IP would be required by the DDA to authorize services. Then if additional service was needed, an update to the IP could be generated and again reviewed by the DDA. While this would require the completion of a detailed fee-schedule for rates, it would insure that the IP remains an accurate representation of services that an individual is authorized to receive in the context of other (non-DDA funded) supports and their overall plan of care.

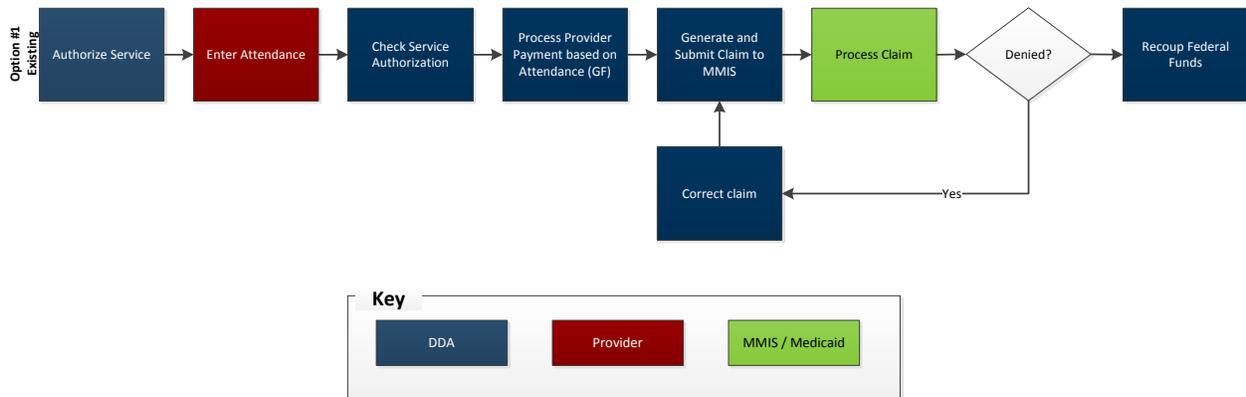
WORKING CAPITAL ADVANCES FOR PROVIDERS DURING THE TRANSITION PHASE

To assist providers in easing the transition to a new payment processing system, the DDA anticipates providing working capital advances during the transition period.

BILLING AND PAYMENT PROCESS OPTIONS IN THE HIGH-LEVEL TO-BE PROCESS

Within the proposed high-level To-Be process, there remain options related to how providers are paid for services rendered to individuals. Before options for the financial management platform can be evaluated, these options must be separately evaluated. Three options, including the current process for paying providers, have been identified for analysis and are described below.

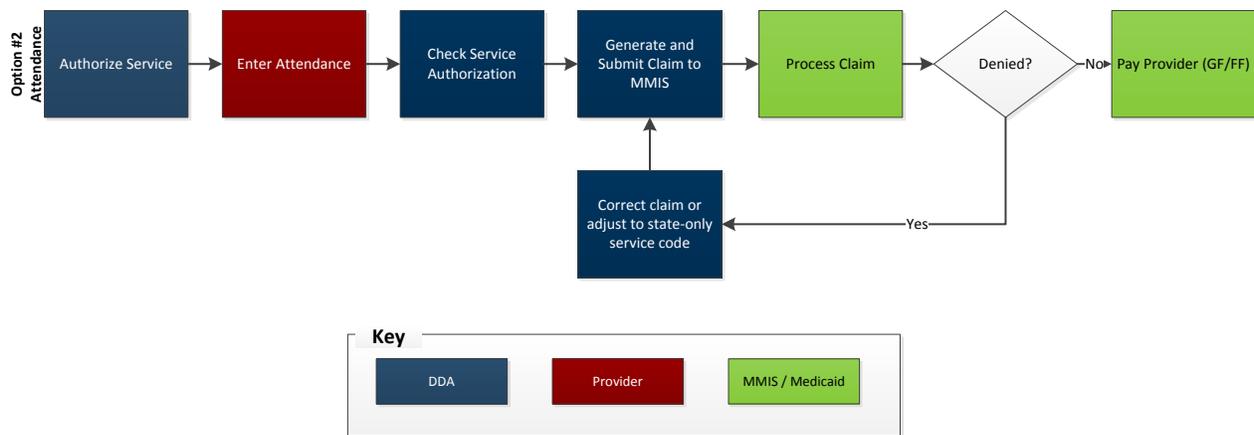
OPTION 1 –INVOICING AND PAYMENT ACTIVITY IS SEPARATE FROM DDA GENERATION OF MEDICAID CLAIMS (CURRENT PROCESS)



Option 1

Under this process choice the DDA would continue the process of paying providers based on invoices generated by the DDA system and in advance of submitting federal claims. Invoices would be generated using information directly input by the provider and the full invoice amount would be paid to the provider using state only funds. The data from the invoice would then be used to generate a claim that is submitted to MMIS. If the claim is approved, then payment is processed and federal funds are released to the DDA. As a result, the DDA would be fully responsible for generating appropriate Medicaid claims and liable for the collection of federal revenue.

OPTION 2- PROVIDERS SUBMIT DATA TO THE DDA TO GENERATE MEDICAID CLAIMS FOR THE PROCESSING OF THEIR PAYMENT

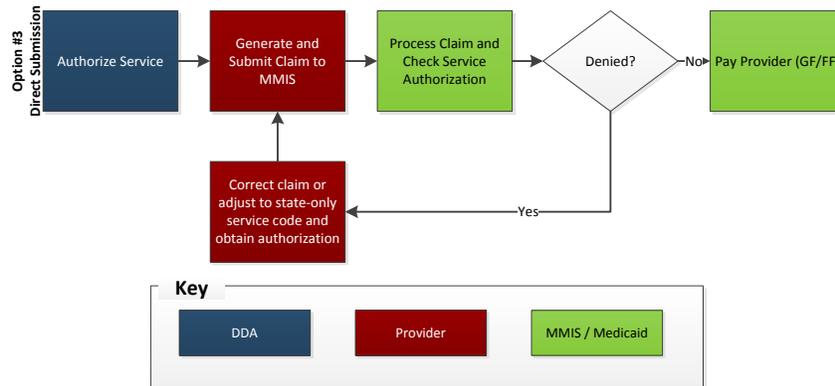


Option 2

In this process option, the DDA would maintain responsibility for generating claims based on provider submitted data but all payments would be processed directly through the MMIS system. If the submitted claim is approved by MMIS, the full payment would be processed for the provider applying the appropriate General Fund / Federal Fund split in the accounting system. If the claim was denied, the provider payment would not be processed and

the claim and the DDA would need to work with the Provider to correct and resubmit the claim for payment through MMIS.

OPTION 3 – PROVIDERS DIRECTLY SUBMIT MEDICAID CLAIMS FOR THE PROCESSING OF THEIR PAYMENT



Option 3 – Direct Claim Submission to MMIS

In this option for payment processing, the provider would be responsible for submitting claims directly to the MMIS system for payment against a pre-authorization from the DDA. If the provider submitted claim is approved, then payment would be processed to the provider applying the appropriate General Fund / Federal Fund split in the accounting system. If the claim is denied, payment would not be processed and the provider would be responsible for correcting and resubmitting the claim.

EVALUATION OF BILLING AND PAYMENT PROCESS OPTIONS

In evaluating the three identified payment process options, the following criteria were identified:

- **Federal Fund Liability** – DDA financial liability for federal fund recoupment
- **Provider Impact** – Requirement for providers to change processes or develop new information technology systems
- **IT Dependencies** – External IT systems development requirements
- **DDA Administrative Effort** – Level of DDA administrative support required for claim submission and system maintenance assuming that DDA programs and services continue to evolve and change

A scale of High/Medium/Low was applied to each of these criteria as the billing and payment process options were evaluated. This evaluation yielded the results shown in the following table.

Option	Federal Fund Liability	Provider Impact	IT Dependencies	DDA Administrative Effort
Option 1 – Invoicing and Payment Activity is Separate from DDA Generation of Medicaid Claims (Current Process)	High	Medium	Low	High
Option 2 – Providers Submit Data to the DDA to Generate Medicaid Claims for the Processing of their Payment	Low	Medium	Low	High
Option 3 – Providers Directly Submit Medicaid Claims for the Processing of their Payment	Low	High	High*	Low

*Requires MMIS III pre-authorization to be operational with the selected DDA system

Based on the completed evaluation, DDA and DHMH management selected option 3 as the best long term approach aligning DDA processes with other waiver programs while reducing financial liability and long term administrative effort for the DDA. Yet, limitations regarding the ability of providers to generate claims and the dependency on MMIS III pre-authorization may require a hybrid solution where option 2 is used until all providers can transition to the direct submission of claims.

OPTIONS FOR THE DDA’S FINANCIAL MANAGEMENT PLATFORM

For the future of the DDA’s financial management platform, the A&M team initially identified the following three options. Given the longstanding weaknesses associated with the PCIS2, and its inability to support the identified to-be process, maintain the status quo without a significant reengineering effort was immediately ruled out and has not been evaluated.

OPTION 1 - CONTINUE USE OF PCIS2 WITH MAJOR RE-ENGINEERING AND ENHANCEMENTS

PCIS2 is a system that has been in used for many years in DDA, and therefore there is some benefit on keeping it as both staff and providers are familiar with its use. However, the continued use of PCIS2 would require a major re-engineering. This option would include the following:

- Maintaining PCIS2 as the DDA’s IT system
- Identifying and developing solutions to correct longstanding issues with PCIS2 data model and functionality
- Enhancing PCIS2 functionality to meet current needs and the To-Be process
- Providing continued maintenance of PCIS2 and train users on re-engineered functionality

OPTION 2 – REPLACE PCIS2 WITH A NEW DDA SYSTEM

This option would replace PCIS2 with a new DDA system designed to support the To-Be process. As a DDA system, this option would offer the DDA the most flexibility but would require the DDA to maintain the resources necessary for system maintenance and operation. This option would include the following:

- Identifying requirements to replace existing functionality and support the To-Be process
- Developing/implementing a new DDA system
- Training users on the new system
- Supporting PCIS2 with minor enhancements and data cleansing until a transition can be made
- Migrating data from PCIS2

OPTION 3 – REPLACE PCIS2 WITH LTSS

The LTSS system is a DHMH investment that is used by multiple waiver programs and Community First Choice. As a department-wide system, there is a desire to support all DHMH’s waiver programs and streamline interactions between DHMH departments. This option would include:

- Identifying the functionality gap between PCIS2 and LTSS
- Documenting requirements for DDA specific functionality and To-Be processes
- Implementing DDA specific functionality in LTSS
- Training users on the new system
- Supporting PCIS2 with minor enhancements and data cleansing until a transition can be made
- Migrating data from PCIS2

EVALUATION OF OPTIONS

EVALUATION OF CLAIMS PROCESS OPTIONS

The implementation risks associated with each of the payment process options creates another dimension by which each of the system options must be examined.

	Future DDA System options		
Provider’s Payment methods	Option 1 – An enhanced PCIS2	Option 2 – New System	Option 3 – LTSS
Option 1 – Invoicing and Payment Activity is Separate from DDA Generation of Medicaid Claims (Current Process)	Medium - Development required to support 837 compliant claims	Medium - Development Required	Medium - Development required
Option 2 – Providers Submit Data to the DDA to Generate Medicaid Claims for the Processing of their Payment	Medium - Development required to support new attendance system and 837 compliant claims	Medium - Development Required	Medium - Has existing functionality that could be extended
Option 3 – Providers Directly Submit Medicaid Claims for the Processing of their Payment	High - Would require MMIS III development	High - Would require MMIS III development	Low - Pre-authorization support is expected

Payment Process Implementation Risks

Given the external dependency on MMIS III development, there is significant risk associated with direct submission for both an enhanced PCIS2 and a New System. This payment process would likely require additional MMIS III development to support the pre-authorization of services, a feature that is already planned for the LTSS / MMIS III interface. While the existing method and attendance could be implemented in all three system options, only LTSS currently has functionality to submit 837 compliant Medicaid claims. Given these factors, option 3 – LTSS offers the ability to most easily support both option 2 - Attendance / DDA Claims Generation and option 3 – Direct Submission.

EVALUATION CRITERIA

With an understanding of the DDA's long standing operational challenges, the following evaluation criteria were identified to help assess the options for the future of the DDA's Financial Management Platform. The selected criteria are listed in the table below along with a short description of each criterion.

Evaluation Criteria	Description
Developmental Complexity	Developmental complexity is a measure of implementation complexity for each of the identified solutions that ties both to overall cost and risk.
Relative Cost	A measure of the relative costs (development, software, maintenance, and hardware) associated with each option.
Time to Implementation	Estimated length of the project considering requirements definition, solicitation, development training, and implementation
Ability to Address DDA's Weaknesses	An assessment of the solution's ability to address DDA's weaknesses both in the short term and in the long term.
Risk	An assessment of the risks associated with the ability of the DDA and the project team to complete the project as planned.
Total Cost of Ownership (TCO) / Maintenance	An estimate of the relative cost of the maintenance to the DDA for the new/enhanced system.
Alignment with Enterprise Architecture	Evaluation of how the solution as it aligns with the overall DHMH Enterprise architecture and existing investments in information technology.
External Dependencies	An evaluation of the impact of external dependency associated with each option.

RATING SCALES

The Rating Scales for each identified evaluation criteria are described in the following table.

	Evaluation Criteria	Evaluation Scale	Definition
Developmental Complexity	Ranking based on an analysis of the features that need to be developed	1 – High complexity	Requires new development of all functionality needed by the DDA
		2 – Medium to high complexity	More than 50% of functions require some development
		3 – Medium complexity	More than 50% of required functions are covered by existing functionality. Less than 50% must be developed
		4 – Medium to low complexity	Less than 25% of functions require some development
		5 – Low complexity	Requires no new development. All required functionality is covered by existing functionality
Relative Cost	Relative	1 – Most expensive option	N/A
		2 – Second most expensive option	
		3 – Least expensive option	
Time to System Implementation	Estimated	1 – Large ETA	2 years or more
		2 – Medium to long ETA	18 to 24 months
		3 – Medium ETA	12 to 18 months
		4 – Medium to short ETA	6 to 12 months
		5 – Short ETA	Less than 6 months
Ability to address DDA weaknesses	Assessed	1 – Low	May not resolve all weaknesses
		2 – Medium to low	Provides short term relief but no long term solution
		3 – Medium	Provides long term relief but no short term relief
		4 – Medium to High	Provides limited short term relief and long term relief
		5 – High	Provide both immediate and long term relief
Risk	Assessed	1 – High Risk	There is at least one risk with high probability and high impact on the project.

		2 – Medium to High Risk	There is at least one risk with high probability and medium impact or high impact and medium probability on the project
		3 – Medium Risk	There is at least one risk with medium probability and low impact or medium impact and low probability on the project or one with either high probability or high impact.
		4 – Medium to Low Risk	There is at least one risk with medium probability and low impact or medium impact and low probability on the project.
		5 – Low Risk	All risks in the project are low probability and low impact.
TOC / Maintenance	Relative	1 – Most expensive option	N/A – Expense includes internal and external resource costs
		2 – Second most expensive option	
		3 – Least expensive option	
Enterprise Architecture	Relative	1 – Minimal alignment	The solution does not align with the Enterprise architecture (philosophy, operating systems, database selection, programming language, security, etc.) and existing DHMH investments
		2 – Minimal to medium alignment	The solution aligns with a few of the Enterprise architecture (philosophy, operating systems, database selection, programming language, security, etc.) and existing DHMH investments
		3 – Medium alignment	The solution aligns with some of the Enterprise architecture (philosophy, operating systems, database selection, programming language, security, etc.) and existing DHMH investments
		4 – Medium to High alignment	The solution aligns with most of the Enterprise architecture (philosophy, operating systems, database selection, programming language, security, etc.) and existing DHMH investments
		5 – High alignment	The solution aligns with the Enterprise architecture (philosophy, operating systems, database selection, programming language, security, etc.) and existing DHMH investments
External dependencies	Assessed	1 – High external dependency	The solution is mostly dependent upon external entities.
		2 – Medium to High external dependency	The solution has some but major external dependencies.

	3 – Medium external dependency	The solution has some external dependencies.
	4 – Minimal to medium external dependency	The solution has only a few external dependencies.
	5 – Minimal external dependency	The solution has none or minimal external dependencies.

Rating Scales Table

EVALUATION RESULTS

The system options were then evaluated against the identified criteria which yielded the following results.

	Option 1 – Enhanced PCIS2	Option 2 – New DDA System	Option 3 - LTSS
Developmental Complexity	<p>Based on the weighted estimates, 41.1% of the required functionality will have to be enhanced.</p> <p style="text-align: center;">3 – Medium</p> <p>See table in the next section for details on this evaluation.</p>	<p>Because this would be a new system, 100% of the functionality will have to be developed.</p> <p style="text-align: center;">1 – High</p> <p>See table in the next section for details on this evaluation.</p>	<p>Based on the weighted estimates, 39% of the required functionality will have to be developed.</p> <p style="text-align: center;">3 – Medium</p> <p>See table in the next section for details on this evaluation.</p>
Relative Cost	<p>This option is expected to have a low software cost and low hardware cost, medium development effort but a high maintenance cost.</p> <ul style="list-style-type: none"> • Software. This option requires minimum investment in software because the PCIS2 system is already in place. • Maintenance. An enhanced PCIS2 will require a dedicated team, just 	<p>This option is expected to have a medium maintenance cost and software cost, but a high hardware and development cost.</p> <ul style="list-style-type: none"> • Software. This option will require the acquisition of the software required for the development and hosting of the system. • Maintenance. This option will require a dedicated team to support it. 	<p>This option is expected to have a low development, maintenance and hardware cost but medium software cost.</p> <ul style="list-style-type: none"> • Software. This option might require some investment in software to support the new system requirements. • Maintenance. As a DHMH wide system, maintenance costs will be shared

	<p>as option 2, but as a legacy system with significant issues, it is expected that the on-going maintenance of option 1 will be greater than option 2.</p> <ul style="list-style-type: none"> • Hardware. It is expected than an enhanced PCIS2 will be able to operate on current DDA hardware. <p>2 – Second Most Expensive Option</p>	<ul style="list-style-type: none"> • Hardware. This option’s requirement for hardware is unknown but more than likely will require some investment as the current hardware might not be appropriate. <p>1 – Most Expensive Option</p>	<p>and thus requires the least amount of investment for DDA.</p> <ul style="list-style-type: none"> • Hardware. It is assumed that LTSS is already running on sufficient hardware that would support the additional DDA functionality. <p>3 – Least Expensive Option</p>
<p>Time to System Implementation</p>	<p>The total project timeframe is estimated to be between 12 and 14 months for this option.</p> <p>3 – Medium ETA</p>	<p>Estimating a total project timeframe of 24+ months for this option.</p> <p>1 - Long ETA</p>	<p>The estimated total project timeframe is 11-13 months for this option.</p> <p>3 – Medium ETA</p>
<p>Ability to address DDA weaknesses</p>	<p>An enhanced PCIS2 may still leave some weaknesses due to the significant issues in both the core database design and existing functionality. Original design of the system may prevent the full resolution of issues and limit the ability to provide a long term solution.</p> <p>2 – Medium to Low</p>	<p>The full development of a new system will likely address DDA issues, but only in the long term as transition can only occur once the system is fully developed. A new system will not be able to implement solutions to DDA issues in the short term.</p> <p>3 – Medium</p>	<p>The implementation of LTSS will provide a long term solution to DDA issues, but will have limited ability to address short term issues. While some functionality could be transitioned in the short term, most functions will require some development.</p> <p>4 – Medium to High</p>

<p>Risk</p>	<p>The PCIS2 enhancements option has several risks with a score of 4 and one risk with a score of 6 related to the continued instability of PCIS2.</p> <p>2 – Medium to High Risk</p>	<p>The risks associated with size and length of a project to build a new DDA system garnered a score of 6.</p> <p>2 – Medium to High Risk</p>	<p>The LTSS option has two risks with a score of 4 around the availability of the development resources and the size/timeline of the project.</p> <p>3 – Medium Risk</p>
<p>TCO / Maintenance</p>	<p>An enhanced PCIS2 will continue to require a dedicated maintenance team, just as in option 2, but since PCIS2 already has experienced issues, it is expected that the on-going maintenance of option 1 will be greater than option 2.</p> <p>1 – Most Expensive Option</p>	<p>This option will require a dedicated team to support on-going system maintenance.</p> <p>2 – Second Most Expensive Option</p>	<p>As a DHMH wide system, maintenance costs will be shared and thus requires the least amount of investment for DDA.</p> <p>3 – Least Expensive Option</p>
<p>Enterprise Architecture</p>	<p>PCIS2 was implemented 10 years ago as a DDA specific system and likely does not align with DHMH Enterprise architecture and current department wide investments.</p> <p>1 – Minimal Alignment</p>	<p>While this solution can be implemented in alignment with DHMH Enterprise architecture, the creation of DDA specific system does not align with current department wide investments.</p> <p>3 – Medium Alignment</p>	<p>As a recently implemented department wide investment, it is expected that LTSS will remain aligned with DHMD Enterprise architecture.</p> <p>5 – High Alignment</p>
<p>External Dependencies</p>	<p>There are limited external dependencies since an enhanced PCIS2 will be developed by the DDA. The only potential external dependencies would be on MMIS III if the direct claim submission option is chosen for payments.</p> <p>4 – Minimal to Medium External</p>	<p>There are limited external dependencies since an enhanced PCIS2 will be developed by the DDA. The only potential external dependencies would be on MMIS III if the direct claim submission option is chosen for payments.</p> <p>4 – Minimal to Medium External</p>	<p>There is a significant external dependency on DHMD / Medicaid to support the development of DDA functionality in LTSS.</p> <p>2 – Medium to High External Dependency</p>

	Dependency	Dependency	
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Evaluation Results Table

DEVELOPMENTAL COMPLEXITY

Developmental complexity was evaluated by examining each of the major PCIS2 modules and functions to determine the effort that would be required to re-create or enhance this functionality in each of the proposed options. The budget, contracts, and logs modules do not contain functionality that will be needed in the future and thus were not included in this evaluation of developmental complexity.

Functionality Required for To-Be	Development Requirement		
	Enhanced PCIS2	New System	LTSS
Inbox (workflow notifications)	Major	Full	None
Consumer	Medium	Full	Minor
Rates	Major ²	Full ²	Major ²
Provider	None	Full	None
Attendance	Major ²	Full ²	Medium ²
Payments	Major ¹	Full ¹	Medium ¹
Reports	Medium	Full	Medium
MMIS	Full ²	Full ²	Minor ²
Utilization Review	None	Full	Full
Q.A. (PORII)	Minor	Full	Minor
PASRR	None	Full	Minor
IP	Minor	Full	Minor
Resource Coordination	Minor	Full	Full
Admin	None	Full	None
Modules Requiring Dev	10/14 – 71.4%	14/14 – 100%	11/14 – 78.6%
Weighted Dev Effort*	5.75 – 41.1%	14 – 100%	5.5 – 39.3%
Rating	3 – Medium	1 – High	3 - Medium

¹ Level of effort would be “None” if payment process option 2 or 3 is chosen

² Level of effort would be “None” if payment process option 3 is chosen

*Weight is based on the follow: 1 – Full, 0.75 – Major, 0.50 – Medium, 0.25 Minor, 0 – None.

Developmental Complexity Table

EVALUATION – OVERALL RATING MATRIX & RECOMMENDATION

The following table provides a summary of the evaluation results with a normalization to account for the potential max score of each of the evaluation criteria.

	Scores				Max Score	Normalized Scores		
	1 – PCIS2	2 – New	3 – LTSS			1 – PCIS2	2 – New	3 – LTSS
Development Complexity	3	1	3	5	0.60	0.20	0.60	
Relative Cost	2	1	3	3	0.67	0.33	1.00	
Time to System Implementation	3	1	3	5	0.60	0.20	0.60	
Ability to Address DDA Weaknesses	2	3	4	5	0.40	0.60	0.80	
Risk	2	2	3	5	0.40	0.40	0.60	
TCO / Maintenance	1	2	3	3	0.33	0.67	1.00	
Enterprise Architecture	1	3	5	5	0.20	0.60	1.00	
External Dependencies	4	4	2	5	0.80	0.80	0.40	
Score	18	17	26		4.0	3.8	6.0	

*Scores were normalized to account for some evaluation criteria having 5 levels where other criteria had only 3

** Based on the number of evaluation criteria, the maximum normalized score was 8.

Evaluation Results – Overall Table

In alignment with the results of the evaluation, A&M recommends that the DDA pursue a transition to the LTSS system. The choice of LTSS aligns the DDA with DHMH investments and processes representing the most advantageous path forward for the DDA.

NEXT STEPS AND IMPLEMENTATION PLANNING

As the implementation plan is developed in alignment with item four of A&M's scope, strategies will need to be developed to meet these prerequisites of the high level To-Be process and support the eventual transition to LTSS. This creates a complex set of both system and operational dependencies that must be factored into road map for LTSS implementation.

TO-BE PROCESS DEPENDENCIES

Elimination of the statutory requirement for pre-payment

- There is a statutory requirement for pre-payment that does not allow for the immediate implementation of a To-Be process without pre-payment. A bill to remove this requirement is currently working its way through the state legislature
- All requirements of the bill must be met in order for an alternative payment system to be used by the DDA. This includes rates setting, among other requirements
- The earliest that this legislative change could take effect would be October 1, 2014

Rate Setting

- In order for a new Rate Setting process to be implemented, a procurement process must be fully executed

- This procurement will be designed to support the completion of a full rate setting study and the transition from the current system to a new rate-based system
- The estimated timeline for this process is approximately 1.5 years

SYSTEM DEPENDENCIES

In addition to process dependencies that must be understood, there are some significant system dependencies that must be understood including the following:

Availability of LTSS development resources

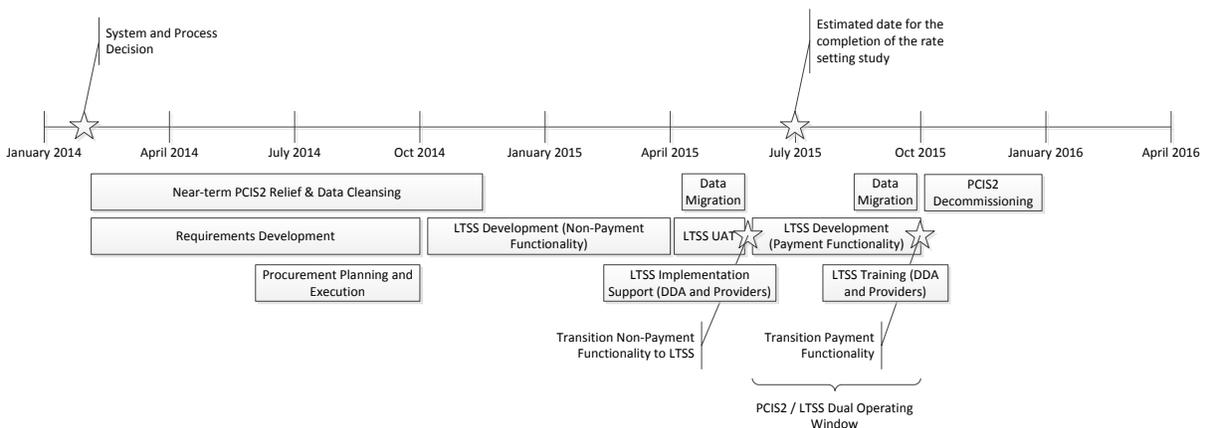
- The current LTSS development contractor is committed to their current scope of work
- It is expected that development resources will not be available until July 2014, after the existing development contract is complete

Full MMIS III implementation

- The MMIS III implementation has encountered a variety of delays
- The estimated timeline for full implementation is expected to be in January 2015 at the earliest

TIMING CONSIDERATIONS

The identified dependencies and need for immediate relief create a complex set of timing considerations that must be understood in order to appropriately plan the DDA’s transition to the To-Be operating environment. The diagram below shows a notional timeline for the full transition to To-Be process and the LTSS system.



Note: Timelines are notional and will be revised through the development of the detailed roadmap.

Notional Timeline

While this notional timeline will be revised through the development of the detailed implementation plan, it currently presents a depiction of the activities and timeline necessary to fully migrate from PCIS2 to LTSS. As shown in the diagram above, it is anticipated that full migration to LTSS has several dependencies including an independent rate setting study. The implication of this constraint is two-fold. First, it means that near-term PCIS2 relief is a necessity, and secondly that a dual operating environment will likely be required as non-payment functionality is migrated to LTSS in advance of the rate setting study’s completion.

NEXT STEPS

To support this transition and move the Financial Restructuring of the DDA forward, an implementation plan to support the implementation of the selected LTSS option with immediately relief for PCIS2 will be developed. This implementation plan will include the following components:

- Near term PCIS2 data and architecture quality initiatives and data cleansing
- Continued engagement with immediate term operational improvements
- Development of requirements for LTSS
- Planning for LTSS integration and operational planning with PCIS2
- Data migration strategy
- LTSS user acceptance testing
- Training requirements analysis / process migration plan

Upon completion of the implementation plan, it will be reviewed with Maryland's Department of Information Technology and DHMH IT so that the identified actions can be authorized and the financial restructuring of the DDA can move forward.