

Audit: NC Medicaid claims system untested, flawed

MICHAEL BIESECKER - Associated Press - Associated Press

An audit of the North Carolina Department of Health and Human Services released Wednesday says it has failed to fully test a new \$484 million computer system scheduled to begin processing Medicaid claims on July 1.

The report issued by the office of State Auditor Beth Wood raises serious questions about the process used to affirm that the complex NCTracks software will be ready to handle the more than \$12 billion in Medicaid claims paid by the state each year.

Of 834 "Critical Priority Test Cases" set to be performed on the new system, it failed 123. The audit says 285 of the "critical" tests, more than one quarter, were never performed.

The audit also says key decisions about the addition of 1,500 user accounts and privacy and security procedures have yet to be made, increasing uncertainty about whether the project will be ready on time. Even if the system were passing the tests, the audit says that is no guarantee it will work as intended.

"The complexity of the NCTracks system makes it impossible to predict all of the scenarios that could impact the project, even after it is tested in accordance with industry best practices," the audit says.

NCTracks is being developed under a 2008 contract with Computer Sciences Corporation, a software vendor based in Virginia. NCTracks was originally set to go live in August 2011 at a cost of \$265 million, but that deadline has been extended nearly two years as costs have soared. The project is now the most expensive contract in state history.

In a statement released shortly after the audit, DHHS Communications Director Ricky Diaz sought to lay any blame for the problems squarely at the feet of the administration of former Gov. Bev Perdue. Diaz previously served as press secretary for the political campaign of Pat McCrory, who took over as governor in January.

"This administration inherited this project, and over the past five months, our team has been working around the clock to push NCTracks over the finish line by July 1," Diaz said. "We have already corrected many of the findings in the auditor's report since field work ended in March, and our team will continue to test the system to find and address as many issues as possible before the launch date."

The new NCTracks software is set to replace an antiquated system that has been used to process the state's Medicaid claims since 1977. DHHS first sought bids for a replacement in 2003, awarding a \$171 million contract to Affiliated Computer

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Systems the following year. But by 2006, it became clear the system being developed by ACS wasn't working. The state cancelled the contract, eventually paying ACS \$16.5 million to walk away.

When the contract was put back out for bid in 2008, CSC helped land the project by hiring former legislator and DHHS Deputy Secretary Lanier Cansler as its lobbyist. Shortly after CSC landed the contract, Perdue named Cansler as her DHHS secretary.

CSC has copied much of the computer code for its North Carolina software from a similar system operating in New York. Many of the delays in the project, according to the department, are the result of CSC initially overestimating how much of the code could be copied directly and how much would need to be developed from scratch. Over time, state and federal Medicaid officials have also made regulatory changes, requiring still more new code to be written.

Critics of the project have raised concerns that CSC is developing NCTracks using COBOL, an out-of-date computer language created in the 1950s. Most college computer science programs no longer teach COBOL and many who are experts in programming in the language have retired. To develop NCTracks, CSC has recruited a large number of COBOL programmers from India to work in the company's Raleigh offices.

The federal government funds up to 90 percent of the costs for developing NCTracks. Once the system goes live, federal money is expected to underwrite at least 50 percent of the operational costs.

More than 70,000 medical providers across the state will depend on the new system to file Medicaid claims for more than 1.5 million North Carolinians.

Diaz said Wednesday the current DHHS leadership is working to make the best of what it was handed. NCTracks will go live, ready or not, July 1. The state has already informed the vendor running its old system, tech-giant Hewlett Packard, that its services will no longer be needed as of July 7.

"Transitions of this magnitude never go perfectly and we are taking proactive steps to prepare for any potential issues," Diaz said. "We have established a call center to deal with the expected influx of call volume after July 1 and formed a response team to address user issues."

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