



COMMONWEALTH of VIRGINIA
Department of Medical Assistance Services

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MEMORANDUM

TO: The Honorable Walter A. Stosch
Co-Chairman, Senate Finance Committee

The Honorable Charles J. Colgan
Co-Chairman, Senate Finance Committee

The Honorable S. Chris Jones
Chairman, House Appropriations Committee

FROM: Cynthia B. Jones

A handwritten signature in black ink that reads "Cynthia B. Jones".

SUBJECT: Report on Encounter Data

Item 304 H of the 2015 Special Session I passed by the 2015 General Assembly directs DMAS to report by September 1, 2015, on efforts to ensure the validation of meaningful and reliable encounter data for the purposes of rate setting, program monitoring, providing data to policy makers and the general public, and detection of fraud, waste and abuse.

Should you have any questions or need additional information, please feel free to contact me at (804) 786-8099.

CBJ/

Enclosure

pc: The Honorable William A. Hazel, Jr., MD, Secretary of Health and Human Resources

**Report to the Governor and General Assembly
From the
Department of Medical Assistance Services**

***Efforts to Ensure Validation of Meaningful and Reliable Encounter Data for the
Purposes of Rate Setting, Program Monitoring, Providing Data to Policy Makers and
The General Public and Detection of Fraud, Waste and Abuse***

Report Mandate

Item 304 H of the 2015 Special Session I passed by the 2015 General Assembly directs DMAS to report by September 1, 2015, on efforts to ensure the validation of meaningful and reliable encounter data for the purposes of rate setting, program monitoring, providing data to policy makers and the general public, and detection of fraud, waste and abuse.

Source of Data

The sources for this report include the DMAS Managed Care Technical Manual (MCTM) and staff from the DMAS Health Care Services (HCS) Systems and Reporting Unit.

Background

Medicaid Managed Care Organizations (MCOs) in Virginia are required to report encounter data to DMAS. This requirement is based on federal law:

States are required by federal law to report encounter data to the Centers for Medicare and Medicaid Services (CMS) as part of quarterly Medicaid Statistical Information System (MSIS) submissions. Since 1999, states have been required to submit managed care encounter data as well as fee-for-service (FFS) claims information to CMS (Section 4753(a)(1) of the Balanced Budget Act of 1997). Regulations issued in 2002 (42 CFR 438.242) require contracted managed care organizations (MCOs) to collect encounter data, ensure that the data are accurate and complete, and make the data available to the state. Recent legislation (Section 6505(b) of the Affordable Care Act of 2010) strengthens the requirement for Medicaid MCOs to provide patient encounter data to states and permits the federal government to withhold federal matching payments to states “with respect to any amounts expended for medical assistance for individuals for whom the State does not report enrollee encounter data to MSIS in a timely manner” (ACA, Section 6402(c)).¹

Encounter data document the services delivered to Medicaid members who are enrolled in MCOs. The records allow DMAS to track services received by these members; however, the State is not responsible for processing claims or directly paying a provider for a rendered service. The encounter data reflect either billed claims that healthcare (and other) providers have submitted to the MCOs for payment or healthcare services provided to members by MCO-employed providers.²

¹ See *Encounter Data Toolkit* (November 30 2013) available from <http://medicaid.gov/medicaid-chip-program-information/by-topics/data-and-systems/downloads/medicaid-encounter-data-toolkit.pdf> (accessed June 3, 2015).

² Ibid.

Because approximately 70 percent of Virginia's Medicaid members are enrolled in MCOs,³ it is essential to have accurate and reliable encounter data to reflect members' healthcare experience. Encounter data are used to collect pharmacy rebates and to monitor the performance of managed care plans.

HIGHLIGHTS OF MAJOR ACTIONS TO IMPROVE ENCOUNTER DATA

Over the past two years, in an effort to improve the reliability of the MCO encounter data, DMAS has accomplished the following:

- Created the Office of Data Analytics within the Agency.
- Formed a dedicated team of encounter data monitoring staff within the Division of Health Care Services (HCS).
- Significantly revised, updated and brought the Medallion II MCO contract into alignment with current DMAS operations and emergent initiatives. The MCO contract was renamed Medallion 3.0 to reflect significant changes to the managed care program.
- A Managed Care Technical Manual was developed, which ties all technical requirements in the Medallion 3.0 contract to DMAS operations in order to lay out specifications and allow for monitoring outcomes in a more efficient, effective manner. The Technical Manual contains detailed information about encounter data specifications and submission.⁴
- Created a Compliance Unit to ensure the MCOs conform to the requirements in the Medallion 3.0 contract. As a result, the 2015-2016 Medallion 3.0 contract incorporated the new functions of the Compliance Unit and included contractual and financial sanctions associated with the submission of encounter data with critical errors.
- Developed a new process to report more detailed encounter data to meet CMS reporting requirements.
- Contracted with Health Services Advisory Group (HSAG), an External Quality Review Organization (EQRO), to provide independent technical assistance to develop policies and procedures regarding the collection, monitoring and ongoing improvement of encounter data.

DETAILED REVIEW OF KEY ACTION ITEMS

- Created the Office of Data Analytics – The Office of Data Analytics has developed a comprehensive, strategic roadmap for data management and analysis at DMAS. The office is in the process of introducing: data governance, a data maturity model, a comprehensive multi-stage data analytics platform and a single source of truth (data warehouse). The Office will profile encounter data and ensure it meets the quality standards necessary for analysis and decision support. The encounter data will be used to monitor and assess Medicaid program outcomes. The primary

³ See 2015 Virginia Medicaid at a Glance, available from: http://www.dmas.virginia.gov/Content_atchs/atchs/Medicaid%20at%20a%20Glance%202015%20FINAL.pdf (accessed June 3, 2015).

⁴ The Technical Manual may be found at http://www.dmas.virginia.gov/Content_pgs/mc-rpt.aspx

objective of the Office is to ensure that information is transparent, timely and accurate so that management can use it to make informed decisions.

- ***Formation of a dedicated team of encounter data staff*** – DMAS management performed an assessment of the skills of current encounter data staff and identified strengths in: programming, data analysis, systems, and policy. The goal is to establish an encounter data team with a broad base of analytic skills, knowledge of industry-accepted data transfer procedures and Medicaid managed care policy experience. HCS identified knowledge gaps in key areas and began hiring to address these needs. For example, DMAS hired staff with extensive experience in Electronic Data Interchange (EDI) and claims submission from the commercial insurance sector.
- ***Specification of format, frequency and accuracy requirements for encounter data submissions for current contracted MCOs*** – The Managed Care Technical Manual stipulates detailed technical specifications for the submission of encounters. The specifications include details on the receiving/processing entity, file layouts, certification requirements, timeliness standards for routine data submission and error correction, and subcontractor submission requirements. In addition, a new Encounter Data Quality (EDQ) strategy has been implemented for the 2016 Medallion 3.0 contract cycle. The Encounter Data Quality (EDQ) strategy allows DMAS to consistently monitor and evaluate each MCO's performance in the submission of encounters and to set priorities for data correction and reprocessing. The goals of EDQ are:
 - Integrate encounter processing requirements with DMAS' Compliance Monitoring Process (CMP).
 - Document each critical encounter data quality issue as it occurs.
 - Prioritize each MCO's efforts to resolve and correct encounter issues.
 - Ensure that each encounter with a critical data quality issue is corrected in a timely manner.
- ***Development of contractual and financial sanctions to align with accurate submission of encounter data*** – As part of the implementation of the Managed Care Compliance Monitoring Process (CMP), DMAS instituted progressive compliance sanctions for critical data quality issues. Critical issues include:
 - 1) Failure to meet timely reporting standards; and
 - 2) Errors related to the collection of pharmacy rebates, the processing of voids and adjustments, duplicate services, member enrollment and eligibility, and missing/invalid values.MCOs will be required to develop a Corrective Action Plan (CAP) as part of the compliance process. Financial sanctions will be in effect for the SFY 2016 contract and are detailed in Section 13.2.B of the Medallion 3.0 and FAMIS contracts.⁵
- ***Establishment of effective and efficient modes of communication with the MCOs in regards to encounters*** – DMAS works closely with each MCO to understand their information technology

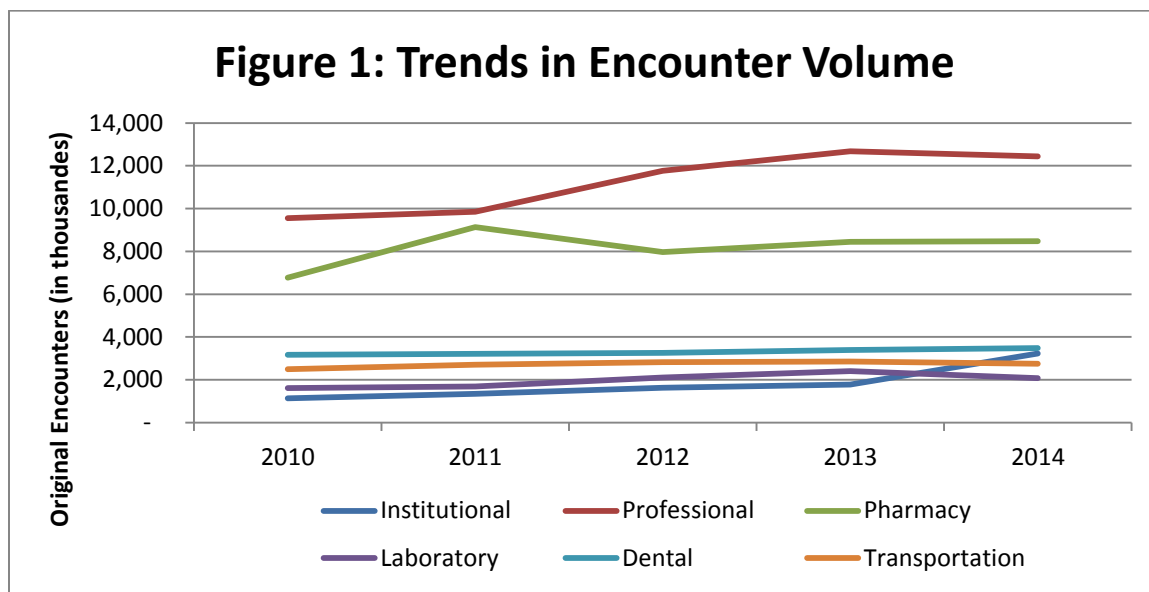
⁵ http://www.dmas.virginia.gov/Content_atchs/mc/Medallion%203%2000%20Contract%20for%202015-2016%20-%20FINAL%20Clean%20Copy%20-6-18-2015.pdf.

resources regardless of MCO delivery system or payment model. Substantial policy or system changes are formally communicated as needed in written form including Medicaid Memos (posted to the Medicaid MMIS provider portal) and via the MCTM.

- **Provision of a state data system to collect and validate encounter data** – Encounter data from Virginia’s Medicaid MCOs are collected in the Medicaid Management Information System (MMIS), subjected to validity and payment edits, and exported to the DMAS “data warehouse.” Encounter data are routinely subject to extensive data quality analysis and reporting on a weekly basis, and the results of these reports are shared with the MCOs.

MCOs are required to use HIPPA-compliant/ANSI X12 claim transaction file formats for encounter data submissions. Using these standardized file formats increases data comparability across plans and facilitates the implementation of consistent data quality checks. Plans are required to submit files on a weekly basis.

Encounter transaction volume has increased substantially in the past four years. Figure 1 shows the growth in volume since calendar year 2010.



- **Development of a process to report more detailed encounter data** to meet CMS reporting requirements – Federal law requires states to submit Medicaid managed care encounter data to CMS in a standard format as part of the Transformed Medicaid Statistical Information System (T-MSIS) files. Data in the T-MSIS files are used for a variety of purposes by CMS, state Medicaid agencies, and researchers to analyze managed care program metrics at the national level and to compare performance across state programs.

Virginia participated in a pilot project to implement expanded encounter data reporting requirements under CMS’ new T-MSIS program. Virginia’s T-MSIS extract process leverages existing state data systems to provide accurate, complete, and timely encounter data to CMS in order to maintain

Virginia's compliance with all federal reporting requirements. Participation in the pilot facilitated DMAS' early adoption of the T-MSIS program.